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PREFACE

The Case Study Project of the Indian Institute of Public Administration is nearly a decade old. It was initiated in 1961 and a Committee on Case Studies was constituted with Shri S. S. Khera, then Secretary to the Government of India, Ministry of Steel, Mines and Fuel, as its Chairman. The Committee outlined the main objectives of the programme as "(1) to promote a deeper and wider understanding of the functioning of Indian Administration in its environmental and institutional framework; and (2) to build up a body of systematic knowledge about the administrative process in India". The Committee felt that such knowledge would be of great use in (*a*) the teaching of public administration; and (*b*) in indicating improvements in administrative practices and procedures.

In the early years, a series of nine case studies was published by the Institute. At the same time, efforts were made to commission more studies and obtain the support of the Central and State Governments for the Project.

In 1967, thanks largely to a generous grant from the Ford Foundation, a comprehensive scheme of commissioning a large number of case studies was launched. Under the dynamic leadership of the first Director, Shri K. N. Butani, the Institute commissioned nearly 70 cases. Shri Butani has since become the Director of the Institute of Applied Manpower Research, New Delhi.

An attempt is now being made to consolidate the work done so far, edit the case studies on hand and publish them in a series of volumes. One volume containing 11 case studies relating to the field of *Panchayati Raj* was recently published. The present volume consists of 9 case studies relating to different fields of public administration such as the State and Central Governments, the public sector and the cooperative field. Many of these case studies have already been used for purposes of teaching and in training courses conducted at the Institute.

I would like to take this opportunity of thanking the Ford Foundation for the liberal grants given by them for this worthy purpose. I must also thank the members of the Committee on Case Studies, who have evinced a deep and abiding interest in the project.

Dr. Ram K. Vepa, who is at present the Honorary Director of the Project has been personally responsible for the consolidation of the work. He has been carrying the onerous burden with the utmost willingness. Mr. K. Venkataraman of this Institute has edited these with care and the Institute is grateful to him.

G. MUKHARJI
Director
INDIAN INSTITUTE OF PUBLIC ADMINISTRATION

NEW DELHI
JULY 1, 1972

INTRODUCING THE CASE STUDIES

The Case Study Programme of the Indian Institute of Public Administration has been in operation for some years and a number of case studies have been collected on a variety of administrative situations. One volume containing eleven case studies has been recently published and the present volume contains some more case studies, dealing with a number of administrative problems.

The Case Study programme of the Indian Institute of Public Administration is primarily designed to provide actual life situations for practising administrators as well as those who are entering the field for the first time. While text books in Public Administration may elaborate profound theories, the real situations that occur in practice are so varied that the very application of these theories becomes in itself an important exercise requiring experience, maturity and judgement. The Case Study method enables one to look at real life problems and to see how they have been actually tackled by administrators. The solutions offered are not always the best and one can in retrospect see that perhaps they could have been better. This, in itself, provides a fund of experience to young administrators and gives the training programmes valuable material for use in the class room.

The present volume of case studies provides a varied fare. They deal with conventional administrative problems such as the relations between the executives and politicians as well as with newer problems posed in Industrial Management which have arisen as a result of the State entering into areas which were formerly left to the private sector. Further, the great deal of attention that is now being given to the development of backward classes and the tribal areas bring up a host of new problems which administrators would do well to keep in mind. The case studies included in this volume cover a wide gamut

of administrative situations which those in civil service are likely to face.

The case study entitled *The Transfer of the Collector of Matsyapur* is a delightful one dealing with a subject which is familiar to most administrators at the district level. What is interesting, however, is the interplay of various forces and the final administrative decision that was taken by those in authority. One could well argue both the pros and cons of such a decision : in fact, the interest in most administrative situations is that there is no unique solution for them but the case study does reveal how a young and conscientious Collector had to contend with political pressures that have become all too common and which tend to build up periodically at the district level.

Another case study on the same subject is the *Pattern of District Administration* which the Government of Andhra Pradesh had introduced in 1967. Although the *Panchayati Raj* system was inaugurated in that state in 1959, over the years, it was felt that the pace of development had not, in fact, quickened as was expected. This was a common experience of most states in the country : while Maharashtra and Gujarat tried to remedy this by providing greater powers to the *Panchayati Raj* bodies, Andhra Pradesh took a different step in setting up a District Development Board with the District Collector as the Chairman and the Chairman, *Zilla Parishad* as the Member. What is interesting, however, is the manner in which this decision was arrived at and Shri Vithal, himself a seasoned civil servant, who has been greatly involved in this decision-making, provides us with an insight into the way in which this interesting pattern was formulated and decided.

The problems of local governing bodies have been ably dealt with in a bunch of two case studies by Shri K. C. Sivaramakrishnan. In this case, the self-governing bodies are the municipalities of two easily identifiable areas. But as Shri Sivaramakrishnan has himself analysed at the end of the case study, the two studies are a good example of how the civil servants and the politicians could work together to arrive at a

common viewpoint or else work at cross purposes which would be of no benefit to the community. In the case of Shilpanagar, a senior civil servant was involved and yet he did not seem to have made any effort to influence the decision which a Minister who was greatly concerned with local politics had taken. In the other case, involving a similar situation at Koilapur, a young civil servant of a comparatively junior rank went out of his way to present his viewpoint effectively with the result that both the Minister and the civil servant could jointly put across a somewhat unpalatable decision to increase the tax revenues in the area. The two case studies bring out many other facets of the 'commitment' of civil servants about which so much is heard today.

Two case studies in the volume deal with the problems of tribal areas ; the first on '*Logs and Men*' (*a la* John Steinbeck) by Shri Devindar Nath has a melancholy interest. It is indeed a matter of sad record that Shri Devindar Nath who had taken such an active part in the Case Study Programme passed away prematurely and this case study, therefore, has an added significance. It has, in fact, already been utilised in many training programmes with great success. The case study illustrates clearly how a vigilant district officer could take quick action to protect the interest of the tribals against unscrupulous timber contractors. In such a situation, one could very well have taken refuge under the plea that nothing could have been done under the existing regulations ; but what the young civil servant did was a tribute to his sense of equity and fair play as well as to his initiative and dynamism. It is this combination of administrative efficiency tempered by a sense of social justice, which is presumably meant when the Prime Minister calls for 'commitment' by civil servants.

The case study by Shri C. B. Rau on the *Management of a Tribal Development Corporation* brings out clearly the day-to-day administrative problems faced by an institution which has been expressly set up by the State Government to help the tribal people. In practice, however, these agencies are unable to provide as much help as is desirable and very often the

merchants and contractors who have been till now having a field day in exploiting the tribals are able to continue doing so. Shri Rau, however, gives a good account of how a conscientious Managing Director of the Corporation was able to play an effective role in helping the tribal people. This requires a considerable amount of effort and persistence, for it is only then that good results can be achieved by the State agencies.

The problems of co-operative institutions have figured prominently in the studies in Public Administration. Although cooperation has been accepted as a laudable objective, it has been found that in practice the work of many of these societies is not always satisfactory. One of the case studies deals with the functioning of the *Railmen's Co-operative Bank* which had been in existence for nearly 50 years and was one of the largest co-operative banks. The case study brings out clearly the inter-play of group politics in the working of the co-operative bank and the manner in which these were overcome by the close co-ordination between the Chairman of the bank (a senior official of the Railways) and the Registrar of the Co-operative Societies. The case study is also a good example of the careful way in which co-operative institutions would need to be handled by officials who have to deal with them.

The problems of industrial management at the state level are dealt with in two case studies. Shri W. S. Tambe writes on the *Revival of the Korba Fertiliser Project* in Madhya Pradesh, which holds a great deal of promise for the development of the coal belt in that backward state. The point of interest, however, in the case study is the anxiety of the State Government to secure location of public sector projects in their state and the extent to which they are willing to offer concessions to public agencies for securing a favourable decision. Happily, however, it has now been realised that such concessions by State Governments only tend to distort the economics of the projects and are ultimately paid for by the State Governments, and, indirectly, by the Central Government. The case study provides an interesting account of the negotiations between the State Government and the Fertiliser Corporation of India for

obtaining a favourable decision on the location of the coal-based fertiliser plant at Korba.

Another case study deals with the setting up of an industry, the Ball Bearing Project, undertaken by the State Industries Development Corporation of Andhra Pradesh. The study gives an account of the tortuous negotiations which preceded the final decision of the State Government to take over the project in the public sector. It brings out clearly the various obstacles that are today present in the establishment of new projects, particularly by State Government agencies, the long gestation periods involved and the lack of suitable entrepreneurs to be associated with such projects. It is a matter of happy thought, however, that the decision of the State Government to take over the project has been successful in providing the industrially backward state of Andhra Pradesh with a first-class Ball Bearings Plant, whose products are greatly in demand today.

The current volume of case studies is, therefore, a judicious blend of administrative problems which have actually arisen in a variety of fields. It is hoped that they will provide both to the practising administrators and to students of public administration an insight into the various situations that arise in real life in the complex field of public administration in the developing countries.

NEW DELHI
JULY 1, 1972

DR. RAM K. VEPA
Hony. Director
CASE STUDY PROJECT
INDIAN INSTITUTE OF PUBLIC ADMINISTRATION

TRANSFER OF THE COLLECTOR OF MATSYAPURA

ANON.

The events in this case occurred in a state of relatively small size and moderate population during a period of four months prior to a national election. A succession of Chief Ministers had struggled to maintain the unity of the State and the dominance of their party in its government despite communal differences. Whatever *esprit de corps* the State Civil Service may once have possessed had been devastatingly diluted in earlier years under a particularly forceful and sometimes ruthless Chief Minister. During his administration, the number of Collectors' posts assigned to promotees from the State Civil Service had been greatly increased. The districts containing the larger cities were usually filled by men who had come from the State Civil Service, as also such key posts as Transport Controller, etc. Even the more conscientious State Civil Servants had found it difficult to be other than responsive to requests from the political leaders in power ; and the manner in which officers of All India Services functioned had also been affected during this period.

About eight months before the national election in question, the outbreak of severe communal differences led to some modification in the state boundaries, the imposition of the President's Rule, and the suspension of the State Legislature. The Governor, during the period of this case, was a retired I.C.S. Official. The Chief Secretary, also an I.C.S. Officer, had been in his post for over three years.

In October, about four months before the national election, the Collectorship of the district, we call Matsyapura, was filled by a new man. The Collector's office was in the city of Matsyapura, which had a population of over 2½ lakhs. It was a big agricultural market centre as well as the chief centre in the State for textiles and clothing. The previous Collector had been a promotee with a reputation, among some of his

subordinates and among some of the people in the city, for having been responsive and accommodating to the local political leaders of the party that had been in power before the suspension of the legislature.

During the President's Rule, the Governor sought to improve the quality of administration and to ensure the holding of fair and orderly elections. He arranged for the appointment of stronger and more independent men as Collectors. The proportion of promotees to direct recruits in collectorships fell from one-half to one-fifth, and almost all the heavily populated districts, where corrupt election practices might be expected were filled with such of the regular I.A.S. Officers as were believed by the Governor and the Chief Secretary, to have records and reputations, indicating strict honesty and effectiveness in maintaining law and order.

To the Collectorship of Matsyapura, on the suggestion of the Governor, the Chief Secretary appointed Shri Vikram Avasthi, a direct recruit with about ten years' service. Avasthi had served as Collector in another district in the State for several years. During this term of office, the local MLAs, some Ministers and the Chief Secretary had learnt that he was a passionate follower of the letter of the law. On one occasion, a visiting Minister had been displeased with Avasthi's failure to remain in attendance when the latter had to leave to attend to some urgent law and order situation. Some M.L.As also had complained to Government about Avasthi's unwillingness to be accommodating to some of their constituents in licensing and appointment matters. At the instance of a Minister, an informal reprimand had been given to Avasthi by the Chief Secretary ; Avasthi's response had been a formal reply to the Chief Secretary citing the provisions of the regulations, under which he had acted and demanding that, either the informal reprimand be withdrawn or formal charges and hearing be instituted. He had won this battle.

Avasthi's strict adherence to regulations and his resistance to requests for special treatment from influential people in his first district stemmed from his nature and from his concept of the role of an I.A.S. officer. He had told his wife that as the

wife of an officer, she must always be prepared to pack up and move to another post, if this was the price to be paid for his doing his job honestly and properly. He was not by himself wealthy and had to live on his official salary alone.

Avasthi's reputation in his previous district was the subject of conversation in Matsyapura, even before his arrival. His first weeks in Matsyapura confirmed the rumour. It soon became widely known that he did not use the official conveyance for travel between his residence and his office. When a leading business man and party financier sent him a big basket of fruits and sweets on Diwali day, he tasted a few of the sweets by way of courtesy and returned the lot. Anything purchased for the Collector or his family was immediately paid for by them in cash. Whenever he presided over an official meeting, he accepted aerated drinks when they were proffered, but slipped a ten rupee note to the orderly.

He could also be easily approached by any citizen with a grievance, including even complaints of dishonesty or extortion against government officials. His conduct made it quite clear that, as far as he was concerned, it was not necessary for anyone with a request for a permit or a license to pay a fee to a political leader or to bribe a subordinate official in the collectorate to get fair treatment from the Collector. This change in the atmosphere of administration became quickly known in the city of Matsyapura and throughout the district. During his first three weeks in office, one local newspaper expressed apprehension that an official of this calibre might not be tolerated long by the established political leaders of the dominant party.

Whatever effect it may have had on the public at large, Avasthi's conduct proved upsetting to three intertwined elements of Matsyapura society : (1) some of the well-to-do merchants and industrialists who had been generous contributors to the dominant party ; (2) the principal political leaders who had been accustomed to intercede with district officials on behalf of constituents, sometimes at a price ; and (3) many of the subordinate district officials, who previously had accommodated themselves advantageously in their dealings with influential

private citizens, political leaders, and the public generally. Though all the district officials under the Collector had not been personally dishonest to the point of participating in extortion, encouraging bribes, etc., none had felt he could raise a hand against such practices. Many owed their continuation in their postings to the goodwill of influential politicians and businessmen, not to mention the immediate superiors who played the game of the local influential men. Also, many had learnt from observation that promotions and favourable reports (not to mention additional side benefits) went to those who responded to the requests of political leaders.

The growing public impression that one could get a fair hearing from the Collector without bribing an intermediary represented a danger to those of Matsyapura's political leaders who had benefited politically or financially from having served as intermediaries in the past. It also threatened the dishonest subordinate officers in the district. The latter threat increased daily, as citizens came to the Collector with complaints of alleged bribery, extortion, favouritism, high-handedness, or deliberate delay on the part of subordinate officers. After two weeks, Avasthi found that a large number of these complaints centered on one of his principal subordinates, his General Assistant, a man named Burba.

Although the complaints against Burba were wide-ranging, the more serious ones were that he was hand in glove with the unsavoury elements amongst the local political and business leaders and had assisted them in exploiting the public. He was alleged to have extorted bribes from various people for several years. He also had a reputation as a bully and many were afraid of him. He had once publicly slapped the Secretary of the district unit of an important national opposition party, immediately outside the Collector's office. He was also said to be a heavy drinker, frequently breaking the law under its influence. He insulted subordinates frequently. It was public gossip that Burba had Avasthi's predecessor in his pocket. Burba was said to have made commitments on the previous Collector's behalf without even consulting him, and there was an impression that one should always negotiate first with Burba about any decision requiring the Collector's personal orders. It was

understood that Burba's cooperation was not secured without a consideration, either money, offer of food and drinks or any other favour he asked for. Some of the local politicians and traders had come to rely on Burba, and under their protection, he had developed a sense of security that ripened into bold displays of arrogance, bullying and occasional public drunkenness.

Avasthi decided during his first month in Matsyapura that he would have Burba transferred. A General Assistant could not be transferred even to any other post in the district, by the Collector. He assembled the complaints against him and first made an informal move to secure Burba's transfer. He rang up the Deputy Secretary concerned in the Chief Secretary's General Administration Department, explained the situation to him and sought his assistance in securing Burba's transfer. Avasthi learnt, however, that the Chief Secretary wanted a written proposal. Avasthi then made a formal proposal and sent it to the Divisional Commissioner, endorsing a copy of his proposal to the Government. In this communication, Avasthi also indicated what he in any case proposed to do to make Burba ineffective. The despatch of this request for Burba's transfer occurred at the end of the first week in November and coincided with the end of the President's Rule and the reinstallation of the State Legislature and a Cabinet of Ministers.

Avasthi's confidential despatch reached the Chief Secretary, who had some experience with Burba. (Burba had successfully resisted a previous effort at transfer by invoking the support of two Ministers). He ordered that the papers be sent to the Divisional Commissioner for his recommendation. At the divisional headquarters, the papers posed a problem for the Commissioner, who was also a direct recruit. He had twice previously agreed with glowing confidential reports on Burba's work, submitted by Avasthi's predecessor. He wrote back to the Chief Secretary that no proven instance of any of the charges against Burba had yet come to his notice and suggested that Avasthi should watch Burba's conduct some time longer, before arriving at a final judgment. Avasthi had the highest regard for the Divisional Commissioner's administrative integrity and felt that his attitude was due to his implicit trust in Avasthi's predecessor.

Meanwhile, Burba, having learnt of the Collector's efforts to get him transferred, mobilized political support to keep himself in Matsyapura and worked for Avasthi's transfer instead. His main supporters were the General Secretary of the district unit of the ruling party, the three Ministers from the district, and some M.L.As.

Of the three Ministers, Kroma was locally the most powerful. He was Deputy Home Minister. In Matsyapura he was known for his very loose character. Some accusations had also been made against him on the floor of the State Legislature. But he was in the good books of the Chief Minister. He also had a firm grip over the organizational wing of the party. The other two Ministers were more influential in the rural areas of the district.

With elections drawing closer, the Ministers and their associates and supporters wanted the district administration to be responsive to their needs and demands. They certainly did not want to lose Burba.

The newly-appointed Chief Minister, trying to hold his divided party together, was not inclined to take any decision concerning the Matsyapura district without consulting these Ministers, especially Kroma. In these circumstances, when the Chief Secretary raised the question of Burba's transfer (with the Divisional Commissioner on record as suggesting further observation and with the glowing praise of Burba in the previous confidential reports), the Chief Minister ordered that the transfer proposal be shelved . The Chief Minister could find additional support in a directive recently from the Union Government that no officer should be transferred during the period of three months before the election, because opposition parties would allege that the ruling party was posting its henchmen in vantage positions.

One afternoon in mid-November, shortly after the Chief Minister had shelved Burba's transfer, Kroma called on the Collector. He asked him if he was experiencing any difficulty and wanted his help in any matter. He particularly asked him if he was concerned over the rumours of his transfer from

Matsyapura. Avasthi thanked him and said he was not having any difficulties. While leaving, the Minister remarked in passing that he hoped Avasthi would do his best to see that the elections went well for him and his party. Avasthi said he could assure him that he and his staff would do all they could to make the elections peaceful and fair. Kroma replied that the party needed more than neutrality; he wanted the Collector to see to it that the district administration took such action as would build support for the party in power.

Kroma and the other influential party leaders might perhaps have been satisfied if the Collector, without personally acting on their behalf, had followed a policy of inaction : that is of ignoring what his subordinate officers would be doing for them. But soon after Kroma's visit, Avasthi convened a meeting of his officers. He warned them sternly that he would not tolerate subordinates who looked to politicians for favours and who rendered favours in return. He stressed that officers were to behave impartially as regards the candidates of all parties.

Aware that some of his subordinates would not care for his warning, and in view of Burba's successful resistance of his effort to transfer him, Avasthi decided to do more than talk. He initiated a series of work reassignments, giving greater responsibilities to the men on his staff in whom he had confidence and allotting merely routine work to other officers. As a finishing touch, he issued an order withdrawing all executive functions and powers from Burba. It soon became known that Burba could no longer bestow favours. Some people started caricaturing and ridiculing Burba, remarking that the Wajid Ali Shah of the district had been made a beggar by the Collector. Soon Burba stopped sitting in his suddenly desolated office and, instead, spent his time at home and with his political associates.

Within a week, Kroma, the other local ministers, party leaders, and their associates were urging the Chief Minister to transfer Avasthi. They vividly described the dangers which Avasthi's administration presented to their success in the coming elections. There were similar complaints by political leaders from the other districts against direct recruits posted as Collectors.

Kroma is reported to have told a colleague of Avasthi, a young I. A. S. officer, when the two were travelling together on a train journey, "People of your service are good; but very difficult to get along with. Look at Avasthi. He is so honest and competent and upright; but he is no use to us—whenever I ask for something, he opens the book. I'll have to get him transferred, if we have to win the election". This young officer, who had had experience of working directly under Kroma for about 6 months feels that Kroma might not have acted on his own, so vigorously, for Avasthi's transfer, but for Burba's instigation who viewed the situation that had developed in Matsyapura with Avasthi's arrival, as a serious threat to his own erstwhile pre-eminent position in the district.

The Chief Minister asked the Chief Secretary if he could arrange to transfer Avasthi and four other district officers in the State. He said these I. A. S. officers were not behaving well with the Ministers, legislators, and other leaders in their respective districts. They were so rigid that district administration was not at all helpful to the party in getting votes. About Avasthi, the Chief Minister said it had been reported to him that he was particularly rigid and officious. In addition to offending the politicians, he had got along poorly with local leaders in commerce and industry.

The Chief Secretary sought to persuade the Chief Minister that there was no plausible justification for transferring the five Collectors. All of them had just then been posted. He cited the direction of the Chief Election Commissioner against the transfer of officers before the election. He also pointed out the possibility of adverse public reaction, press uproar, and the criticism that would come from opposition parties. He promised that he would look into the complaints against all the five Collectors and would give all the five some suitable advice.

The following day, the Chief Secretary telephoned Avasthi and asked him if he was feeling any difficulty in the district, particularly with the heads of other departments including the police. Avasthi said he was having no difficulties. He was then asked if he had been courteous to the local legislators and Ministers. He answered that he had been showing courtesy to all

these people, and that if it was proved that he had been rude even to the most insignificant of the public men he was prepared to be sacked. As Avasthi recalled the conversation later, he was then cautioned that he should avoid unnecessarily annoying other officers at the station and displeasing the Ministers and other political leaders in the district. This evoked Avasthi's stout protest that he had not tried to offend them and that he had acted, in his relations with local leaders, in the manner prescribed by the rules and traditions of the civil service.

Two weeks before this, rumours had been widespread in Matsyapura that Avasthi would be transferred. Speculation on this theme had appeared in some of the local newspapers. At this time, the Governor had stopped briefly at the District Office *en route* to a further point, and Avasthi had described this situation to the Governor. The Governor had replied sympathetically that he would do what he could. Now back at the capital, the Governor asked the Chief Secretary to bring to his notice any proposal to transfer Avasthi or any of the other direct recruits who had been recently posted as Collectors. This was during the last week in November.

During the first twenty days of December, an emergency law and order situation arose in the State that preoccupied the Government. In the circumstances, it was not considered proper to transfer any District Magistrate until the threat to public peace had been removed. With the election closer at hand, Avasthi thought that there would be no further attempt to shift him from the district.

But the party leaders in Matsyapura were seriously worried about the outcome of the election in their district. They felt an urgent need for increased collection of election funds and an urgent need for the type of district administration action that would produce votes and other support for their campaign. With Avasthi running the district administration strictly, they were not getting the assistance that they felt they should be able to count on as members of the party in power.

Their main concern was that the district administration was not working in such ways as would promote liberal election

contribution to their party. They had other complaints, too. When Ministers or MLAs went to Avasthi with requests for remedial government action for some of their constituents, they felt his reaction was rigid and legalistic instead of prompt, sympathetic, and humane. There was, for example, the experience of a lieutenant of Kroma who had interceded on behalf of a poor, homeless Harijan widow. He had asked the Collector to admit her to one of the empty emergency quarters put up for persons displaced by a recent calamity. The Collector had replied that this was not possible since these quarters were meant only for the families of ex-servicemen, that a question of the revision of their price and some other related matters were pending with Government and he had Government orders not to make any allotment in the meanwhile. To Kroma and his associates to whom the matter was promptly reported, this was an outrageous example of stiff-necked, bureaucratic approach to a deserving human problem. It was also, they thought, a typical example of how the Collector, by refusing to respond to citizen needs, was making enemies for the party in power. The public, irritated by this rigid and unhelpful official attitude, would express its anger by voting against them and other representatives of the party in power, while the bureaucrat continued to draw his pay and bask in secure self-satisfaction about having followed official regulations. To Avasthi this concern of the local politicians for the plight of an alleged widow seemed only a ruse on their part to win Harijan votes. He also found out that "the poor homeless Harijan" was not a widow but a person of somewhat shady character, deserted by her husband.

Kroma and his associates renewed and intensified their pressure on the Chief Minister for Avasthi's immediate transfer. It was now the last week in December.

The Chief Minister once again sent for the Chief Secretary and told him that ample time had been given to Avasthi to adapt himself to the local situation. He had become increasingly unacceptable to the Ministers and had lost the confidence of the legislators from the district. He must be immediately transferred, and so must the other four Collectors. The Chief

Secretary again pointed out the public criticism that was bound to break out if the transfers were made. The Chief Minister indicated that he was better aware of public reaction than the Chief Secretary. When the Chief Secretary pointed out the directive against transfers issued by the Election Commission, the Chief Minister replied that it could be stated by the State Government that there was an important administrative task requiring Avasthi's transfer to the capital. The Chief Secretary was finally directed to make suitable proposals about the transfer of Avasthi and the four other Collectors.

The Chief Secretary mentioned this to the Governor, who asked him to delay the matter for a day or two until he could have an opportunity to talk with the Chief Minister. When the opportunity came, the Chief Minister expressed strong resentment against the work of the five I.A.S. officers who had been made Collectors. They behaved like old colonial bureaucrats. They did not appreciate the viewpoint and the responsibilities of the elected political leaders. They could not understand that the days when bureaucrats ruled in complete disregard of public opinion were no more. Avasthi was one of the worst in this connection. He should be replaced by an older man, a promotee who was accustomed to working with elected representatives and who had years of familiarity with the ways and needs of the local people. The Governor mentioned all the points in favour of the Collectors; in his view, public opinion was really in favour of their continuation in their present positions. The Chief Minister replied that public opinion in Indian democracy was the opinion of the peoples' elected leaders. However, the Chief Minister, at the end of the conversation, made a gesture of good will. He said he would not transfer all five of the Collectors but only Avasthi and one other. The Governor felt he had gone as far as he could. He understood that the Chief Minister had to consider the wishes of influential Ministers in his Cabinet and of important leaders of local party organisations. Moreover, under the constitution, the Chief Minister was the responsible executive. The Governor could only advise.

Towards the end of the first week in January, Avasthi received a personal letter from the Chief Secretary informing

him that a transfer order would follow soon and that a replacement was being considered. Ten days later, his successor had been named and arrived to take over. It was reliably reported that Minister Kroma and his associates had participated actively in the consideration of names of possible successors (none of those considered was a direct recruit) and, after vetoing several possibilities, had identified and secured the appointment of a man who they thought would be helpful and responsive. Avasthi along with another direct recruit Collector was posted to the State capital.

The opposition party newspapers made the most of these transfers, but how much effect this matter had in the total torrent of forces affecting the outcome of the election can never be known. The election brought losses for the Chief Minister's party. These losses, and the divisiveness within the party, brought a new government to the State.

Avasthi had not paid his courtesy call, as was the protocol, on the Chief Secretary on his arrival at the State headquarters. The Chief Secretary sent word to him that he should see him. Avasthi went. The Chief Secretary was in an introspective mood ; he enquired of Avasthi if young officers were generally unwilling to see him. (Such officers had begun to think that the Chief Secretary, as head of the Civil Services in the State, did not stand up very strongly against the Ministers and always seemed to tilt the balance in their favour, whenever a situation involving conflict with the Civil Service arose.) Avasthi replied that he himself was not personally aggrieved by what had happened in Matsyapura. The Chief Secretary told Avasthi that, judged by service standards, he had done well in Matsyapura. Whereupon Avasthi told the Chief Secretary that on the Matsyapura happenings which resulted in his transfer, he would have liked to hand in his resignation, if only he could afford it. Surprisingly enough, the Chief Secretary confessed to a similar feeling. He assured Avasthi that, on his part, he had done his best.

Under the new government, one month after the election, the same Chief Secretary acted to redress the transfers of Avasthi and the other Collector. Both were offered the

opportunity of returning to their districts. The suggestion for this had come from the new Chief Minister during a Cabinet meeting, as reported to Avasthi by a senior colleague of his, who was present at this Cabinet meeting.

Avasthi decided against going back to Matsyapura. He had had a good deal of time as a Collector and he had been posted to an important assignment in the State capital which he found interesting.

The state official who had replaced Avasthi as Collector was removed one month after the election, and investigations were begun on allegations of misconduct against him. Burba was transferred to another district as Public Grievance Officer.

Some officials, looking back on the Matsyapura affair, were inclined to be critical of the Chief Secretary for not having acted more strongly to defend Avasthi and the other Collectors. Neither Avasthi nor any of the other officers in Government know how the Chief Secretary had acted in his discussions with the Chief Minister. The Chief Secretary would have felt it an impropriety for him to have passed on to officers beneath him the substance of what passed between him and the Chief Minister, for he felt keenly his primary obligation as senior official advisor to the Chief Minister. To let the official staff know that he was strongly opposed to a decision of government seemed to him contrary to what was required of an official, and could only lead to chaos in government. He cited a similar instance when Ministers had to consider observing a rule that officials should not approach Ministers or MLAs for favours in postings. The former Chief Minister had agreed with the Chief Secretary and had supported the idea of upholding this rule. The majority of his Ministers, however, had opposed it, and the Chief Minister had finally decided that the rule would not be enforced. The Chief Secretary had argued strongly in favour of enforcing the rule, but once the decision had been taken, it had been his duty to announce the government decision to the Civil Service and to support it. It would have been courting anarchy in the State service, if he had let his subordinates know how strongly he had argued against the decision the Government

had taken. It would also have ended his influence with, and usefulness to, the Chief Minister.

Some of the younger I. A. S. direct recruits in the State drew a different lesson from the Matsyapura case. They said that the tendency of State Civil Service officials to accommodate politicians and local influential men in their political moves was causing the State Civil Servants to be regarded as more useful than I.A.S. recruits. The Avasthi case showed that honest and impartial administrators were not rewarded. Other cases showed that I.A.S. recruits were also becoming affected by inducements to behave like courtiers. They were not speaking out frankly what they thought was right. Years in the atmosphere of this State Government tended to produce not so much personal dishonesty and the seeking of Ministers' laudatory Confidential Reports at any price, but a cynical attitude that could be summed up as : "Keep your own hands clean, but don't try to fight the system, as Avasthi had done." Besides, some of those reflective officers asked, "When a man like Avasthi becomes older and has grown up children, how reasonable is it to expect that he would go on without relapsing into a more passive, cynical, and careerist attitude?"

OF LOGS AND MEN

DEVINDAR NATH

Towards the end of the year 1955, Bhanupratappur, a *tahsil* in Bastar district, was the scene of unprecedented exploitation of the *Adivasis*. Rapid changes in law gave these simple people ownership over teak trees, valued at more than a crore of rupees. Each of the tenure-holders found himself in possession of property worth several thousands of rupees, but in their ignorance and illiteracy, they were neither conscious of their rights of property, nor had they any realisation of its value. Timber merchants belonging to different parts of the country made their appearance in the villages and purchased timber from the *Adivasis* for small sums. Gangs of labourers were employed to fell trees in the cultivators' fields, and transport of teak on a large scale started. The *Adivasis* were not paid even a small fraction of the value of their teak. Consequently, the loss which the people of the area had to suffer was more than Rs. 50,000 every day.

The stage was set for complete denudation of the *Adivasis*' fields of their valuable teak. In a few months, they would have lost all their timber ; and the contractors, who had already amassed considerable wealth, would have made fortunes.

The prevailing feeling was that the timber merchants were exercising their rights under the civil law and that any interference with their business would involve serious legal complications. This was the view impressed on the new Collector, who took over in December, 1955. The Collector was astounded by the unusual situation. Groping for a solution of the problem, he made up his mind to take immediate action without waiting for any instructions from higher authorities. He had no illusions about his powers. He knew that ultimately the action taken by him would have to be tested on the touch-stone of law and that, in the event of a wrong step, he could expect

no protection from any quarters. Surveying the situation and seeking light from whatever little experience[1] he had, he ultimately took drastic measures in less than a fortnight of his joining the district, and put a stop to all the exploitation. The aftermath of his action engaged his attention for the next two and a half years, when a variety of unexpected problems posed a series of challenges.

Bastar district comprises the old Bastar and Kanker States which merged with the then Central Provinces in 1948. With an area of 15,000 square miles and a predominantly tribal population, the district has rich teak and sal forests. Bhanupratappur and its adjoining *tahsil* Kanker lie in the northern teak belt, with a similar teak belt in South Bastar, separated by a distance of nearly 150 miles from the northern areas of the district.

Strangely enough, the fields of the *Adivasis* contained teak trees as valuable as those found in government forests. The reasons for this unusual phenomenon were not far to seek. During the time of the princely States, cultivation of large tracts of forest land was allowed on the condition that teak and sal trees standing on such land were not cut. To have labour available for work in the forests and to have additional income from land revenue, the Rulers encouraged the people to settle on open patches of land. If, in their anxiety to secure their *nistar* rights, the cultivators, with a few pieces of cultivated land dotted here and there, regarded the whole land as their holding, the Ruler, with full rights over timber trees, had no objection to their tenancy rights over such holdings because he knew full well that he could deprive them of these rights at any time he chose.

After the merger of the feudatory states with the Indian Union, the State Government enacted the Central Provinces States Land Tenure Order, 1949, which conferred on *raiyats* and tenants of the merged territories, heritable and transferable rights in their holdings, analogous to those enjoyed by occupancy tenants in the Central Provinces. The Order also provided

[1]He was an IAS Officer with about 6 years' service ; this was his first District charge as Collector.

that the *raiyats* and tenants would have the right to take the usufruct of trees in their holdings and not the corpus thereof. Subsequently, the M.P. Abolition of Proprietory Rights Act, which came into force on March 31, 1951 enabled any person desiring to have the rights of an owner (*Malik Makbuza*) in his holding, to acquire them on payment of a premium equal to twice the land revenue. Further, any person who did not have the same rights in trees in his holding, as he had in the holding itself, could acquire them on payment of a reasonable price to be fixed by a Revenue Officer.

In Bhanupratappur and Kanker *tahsils* of Bastar District, the cultivators, at the instance of timber contractors, acquired *Malik Makbuza* rights. Applications were then made in their names for permission to dispose of the trees standing on their fields. The legal position was not very clear, but the general view was that the cultivators were not entitled to the trees unless they acquired rights to the trees by paying a premium for them separately, and this view was generally accepted by the *Malik Makbuzas*. Premium was paid for some trees, but on the whole, there was not much interest in the acquisition of such rights. This nebulous situation continued till the end of 1954.

In the meantime, steps were being taken to enact the M.P. Land Revenue Code, which received the assent of the President in the beginning of 1955 and was finally published in the Gazette Extraordinary on February 12, 1955. Under this Act, all *Malik Makbuzas*, who were to be known as *Bhoomiswamis*, were to have full rights over the trees on their holdings. The M.P. Land Revenue Code actually came into force on the October 2, 1955. Even earlier, the Government had issued instructions to the Collector in May, 1955 that ownership rights over trees should be given to *Malik Makbuzas* without charging any premium for the trees in the holdings, and that no permission was required for cutting such trees. This was a green signal to the timber contractors, who had been waiting for such an opportunity.

The "teak rush" started and the Bhanupratappur area witnessed an exploitation, the like of which has rarely been

seen anywhere in the country. Timber contractors fanned out in all the villages of the *tahsil.* They gave petty sums to the cultivators, and obtained their thumb impressions on all sorts of bogus documents, which were later regarded by the contractors as contracts. Under these agreements, they claimed rights over the *Adivasis'* timber and started felling the trees and transporting the logs on a large scale. Almost every *Adivasi* cultivator soon found himself in the clutches of a timber contractor. The *Adivasis* had no idea of the value of their timber, and they readily believed, whatever misrepresentations were made to them by the contractors. Sometimes, they were told that they had to sell the timber to the contractors on pain of its confiscation to the Government ; on other occasions, they were informed that the price offered to them was fixed by the Government. Wine was made freely available to them. There was the case of an old man who entered into an agreement with a contractor to sell his timber, merely because he and his small daughter were taken to a cinema house at the subdivisional headquarters and were given the opportunity, the first in their lives of seeing a picture.

It was too much to expect that a poor and helpless *Adivasi* would withstand the pressure of a powerful contractor and would make efforts to free himself from the exploiter's hold. Hardly any instance of such resistance was reported. One solitary case, where an *Adivasi* did take up cudgels for safeguarding his rights, could well serve as an example to all others. In this case the *Adivasi* refused to allow a contractor to remove timber from his fields, merely because he had put his thumb impression on a document without knowing its contents and had received a few rupees. The result was that, at the instance of the contractor, the local police registered a cognizable offence against this *Adivasi* for criminal intimidation of the contractor. Investigation was completed in a few hours and the case was brought for trial before a court which completed the proceedings without delay and convicted the accused. If other *Adivasis* had any idea of taking a similar stand, they soon realised that they could not have any protection from the law.

It is generally believed that Government machinery is slow-moving and that the officials of various departments often pull

in different directions. Perhaps it may be so in routine administration. The experience in Bhanupratappur *tahsil* was different. The officials at the village level belonging to different departments were most helpful to the timber contractors. They gave them all the information that they needed. They attended to their cases with promptitude which would do credit to a Government machinery even in an emergency. They used all the influence they had with the cultivators to persuade them to accept the amount paid to them by the contractors and enter into agreements with them. Wherever some formalities were required, there was no delay in their completion.

Towards the close of the year 1955, the new Collector took over in the district. He lost no time in rushing to the scene of exploitation and spent several days and nights visiting various villages, meeting cultivators and making an assessment of the situation on the spot. The picture that unfolded itself before him was breath-taking. Initial assessment, on the basis of the information gathered in the course of his tour, revealed that in the villages visited by him, teak trees worth Rs. 2 lakh were sold by 85 cultivators to timber contractors for Rs. 12,823. The position in the other villages of the *tahsil* was no different. The trees were being recklessly cut and timber transported. It was estimated that nearly 50 trucks were daily removing about 7500 c. ft. of timber away from the fields of the *Malik Makbuzas*, in Bhanupratappur *tahsil*. A reasonable price for this quantity of timber was about Rs. 55,000 against which the *Adivasis* had not been paid anything more than Rs. 5,000. Thus the loss being caused to them was about Rs. 50,000 per day. Apart from trucks, bullock carts were also employed for carrying away timber. The loss would have further increased with the acceleration of operations contemplated by the contractors. One of them, when questioned by the Collector, claimed that he had entered into contract with 1500 cultivators with regard to 15,000 teak trees with nearly 3 lakh c. ft. of timber. He was one of 86 traders, operating in the area. Even though others had not spread their tentacles on such a wide scale, the timber that they claimed under their agreements was considerable. The situation was serious and immediate action was necessary.

It was clear to the Collector that he had to act on his own. The legal position being as it was, no orders from Government could be expected. Government could only be informed of the action that was being taken ; and it was to be hoped that, unless the measures were illegal, Government's support would be forthcoming. He also knew that the rich timber contractors had the best legal advice available to them and that his action would be challenged in a court of law. At a distance of nearly 130 miles from the district headquarters, he could not even consult the Government pleader. He thought long and earnestly about the steps that could be taken, and pored over the Land Revenue Code and other enactments in the hope of getting some guidance. At long last, a course of action suggested itself to him. Under the MP Land Revenue Code, a *Bhoomiswami* belonging to an aboriginal tribe cannot transfer any interest in his land to a person not belonging to such a tribe without the permission of the Collector. Land, as defined in the Code, includes "all things attached to or permanently fastened to anything attached to such land." Standing trees could thus be regarded as forming part of the land and the transfer of rights in them required the Collector's permission. Such permission had never been sought and never given. The contracts for the transfer of rights of the *Adivasis* in trees could, therefore, be regarded as void.

It was also discovered that the contractors, while taking timber out of the cultivator's fields, had removed valuable timber from adjoining government forests as well. There was no clear demarcation between government forests and the holdings of cultivators. In some cases, where *patwaris* had unauthorizedly made such demarcation, no record to that effect had been kept and no authority could accrue to the contractors to extract timber from the disputed areas. It was necessary to conduct investigations into all thefts of timber from Government forests. Till these investigations were completed, the contractors could certainly be asked not to remove any timber, claimed to have been purchased by them.

The Collector was clear about his primary objective. He wanted to bring the movement of timber to a stop, without any loss of time. Other issues could be attended to later. The

tempo of the contractors' business was fast increasing, and the Collector did not want to delay his action even by a day. He had, however, to give his action a legal colour. Ultimately, it would have to be defended in a court. As soon as he felt that the proposed action was within the framework of law, he made up his mind to take the stand that the contracts of timber merchants with the *Adivasis* were void and that they could be asked not to transport the timber till investigations into the offences of theft were completed. A meeting of timber merchants was called for by him at Bhanupratappur. All the contractors came to the meeting. The atmosphere was tense. The Collector gave anxious thought to what he was to say to the contractors at the meeting. He knew that every word of his would be quoted in the High Court and he was determined not to be drawn into any argument. He told the contractors that under the relevant provisions of the M.P. Land Revenue Code, their contracts with the *Adivasis* regarding the timber trees in their holdings were void. He also told them that thefts of timber from government forests had been reported on a large scale and he asked them not to remove any timber from wherever it was lying till the investigations were completed. The contractors wanted to start a discussion, but it was disallowed. One of them wanted the order to be conveyed in writing. It was made clear to him and others that no orders were being passed and that only the legal position was being explained, which the contractors were free to accept or not to accept, at their own risk. The meeting was brought to an abrupt end and the contractors dispersed.

Immediately after the meeting with the contractors, the Collector called a meeting of the officials of the various departments, who, having been drawn from other parts of the district, were now to take up their assignments in specified villages of Bhanupratappur *tahsil*. It was intended that a Tribal or Social Welfare Inspector should be stationed in a group of 3 or 4 villages. A *Tahsildar* or a *Naib-Tahsildar*, with a jeep at his disposal would be in supervisory charge of three Inspectors; and two trusted Deputy Collectors would assume responsibility of controlling the situation in their respective areas in the *tahsil*. The Sub-Divisional Officer at the *tahsil*

headquarters was to coordinate the work of all these persons and establish liaison with the police and forest officials, whose strength was also considerably augmented by shifting persons from other *tahsils*.

The instructions given to the officials at the meeting were simple and clear. They were not to give any orders to anybody in writing, but were to keep a vigilant eye on what was happening in their areas and were to make sure that not a log of timber was removed. If they saw any movement of timber, they were to send words immediately to the local police officer. If cases arose where the police failed to take action, their supervisory officers were to send intimation without delay to the Collector.

It devolved on the police officials to create an atmosphere in which no trucks could carry timber for timber merchants. This could be easily done. There is hardly an owner of a truck (particularly in areas with poor means of communication) who does not commit some breach or other of the Motor Vehicles Act. Generally, the police staff responsible for the checking of vehicles take a lenient view of their defaults and the truck owners do not find any serious difficulty in carrying on their business. If, with a definite purpose in view, the police chose to be strict in the detection of breaches of law, it could be made impossible for the trucks to ply in the area. The truck owners, who were only interested in their hire charges, would not take the risk of prosecution and suffer losses arising from detention of their vehicles in the course of investigation of alleged offences. As a result, within a few hours of the start of the drive for checking up motor vehicles carrying timber, the truck owners cleared out of Bhanupratappur *tahsil* and no trucks were available to the timber merchants for transport of timber.

It was still simpler to persuade the owners of bullock-carts not to transport timber for the contractors. Wherever a cart was seen carrying timber, its owner was told by some *Sahib* somewhere that the timber in transit was suspected to contain logs from government forests and could, therefore, be seized along with the bullock-cart. They had the option of unloading the timber wherever it was and leaving the disputed area

or risking the seizure of bullock-carts and facing prosecution. Naturally, they chose not to have anything to do with the logs.

These measures vigorously enforced by a large number of officials spread over the entire country-side, brought the movement of timber to a dead stop. It could proudly be claimed on the morrow of the meeting of the timber contractors that not a log was going out from the fields of the *Adivasis*.

The Collector sent regular reports to Government regarding the happenings in the district. He was sure that Government would fully support him in his action. Apart from the official version, reports from various other sources were constantly pouring in at the State capital. Some of the timber contractors gave a very distorted account of what had happened in the district and sought Government's interference in what they described as the Collector's high-handedness. Several Ministers visited the district and, after a study of the situation, they were fully satisfied with the propriety of the action taken against the contractors. In their discussion with the Chief Minister, they corroborated what had been stated by the Collector in his official reports. The Chief Minister called the Collector to the State capital, applauded his action and told him that he could be sure of Government's support. He was asked to go ahead with the implementation of the various measures considered necessary for stopping exploitation. The Chief Minister also instructed the Inspector General of Police and the Chief Conservator of Forests to make available, whatever staff was needed in the district to assist the Collector in the drive, launched by him for preventing exploitation.

Soon the scene shifted to the High Court, where a contractor filed a writ of mandamus against the Government and the Collector. It was alleged by the petitioner that he had purchased trees in 150 villages from the *Malik Makbuza* holders and that the Collector had banned the removal of timber in an illegal manner. He prayed for the quashing of the Collector's order and prohibiting the State authorities from interference with his rights. In the hearing before the High Court, the Collector denied that there was any general order prohibiting

the petitioner from removing the trees from *Malik Makbuza* holdings. It was contended by him that many reports of theft and cheating were made to the local officers and that he had asked the contractors not to remove the timber until an enquiry into the reports was completed. It was also stated by him that many of the inhabitants of the areas being aboriginals, the sales conducted by them were not valid for want of proper sanction. The High Court dismissed the petition on February 28, 1956.

The period of two months which preceded the final decision of the High Court was fully utilized by the staff posted in charge of the villages to establish contacts with the *Adivasis* and give them an idea of the value of the timber of their trees. This process of education of the *Adivasis* and the awakening created among them had the desired effect, and, by and large, the aboriginals became aware of the exploitation to which they had been subjected. Many of them even expressed their willingness not to honour the contracts, which they had been misled into executing.

During this period, the contractors contented themselves with sending notices to the Collector, informing him that the orders passed by him detaining their timber were illegal and that he would be responsible for all the losses. In reply to such notices, he wrote back that no orders had been passed, either by him or by any of his subordinate officers, preventing movement of timber but that reports of theft from the government forests on a large scale had been received and enquiries were being made into the alleged offences. Still, the fact remained that no timber had been taken out from the fields of the *Adivasis*, since the day of the meeting between the Collector and the contractors.

The stalemate extending over a period of more than two months made several of the timber contractors despair of the huge profits which they had hoped to make. They realised that it would no longer be possible for them to dupe the *Adivasis* and to take timber away from their fields. Indications were not lacking that whatever might be the legal position of the so-called agreements between the contractors and the *Adivasis*, the latter would not allow themselves to be deprived of their timber.

Investigations by the police into the reported cases of thefts from the government forests unnerved the contractors. The number of these offences taken up for registration and investigation was fast mounting up. Huge stocks of timber were lying at innumerable places in the *tahsil*, and they could be seized any time by the forest authorities. The tide was visibly turning against the contractors, and with the decision of the High Court in favour of the Government, the contractors finally threw in the towel and approached the Collector with a request to fix another meeting for an amicable settlement of the problem.

A meeting between the Collector and the timber contractors was called again at Bhanupratappur on March 17, 1956. Almost all the timber merchants, having interests in the area attended the meeting. The Conservator of Forests and various District Officers were also present. At the meeting, the contractors accepted the position that, in view of the judgment of the High Court delivered in the writ of mandamus, they had no right over the standing trees of the *Adivasis*' holdings. As for the felled timber lying in the *Adivasis*' fields, they realised that it was necessary for the revenue staff to demarcate the boundaries of the holdings to avoid action against the contractors under the Forest Act on the ground that the timber in transit might contain some logs stolen from the government forests. It was not necessary for the Collector to tell them that this demarcation would never be done, if they insisted on their legal right to remove the felled timber. They themselves said that they knew that the revenue staff would not undertake demarcation between the fields and the government forests, and so their rights over the felled timber lying in the fields would continue to be only notional. They were, therefore, agreeable to wash their hands of such timber as well, if they could get back the amounts paid by them to the cultivators and the legitimate expenses incurred by them on the felling, logging and carting of timber.

The contractors agreed to claim only such sums from the *Adivasis* as would be admitted by them, but all sorts of fantastic figures were put forth by them as constituting their incidental expenses. There was a long discussion regarding the

quantum of such expenses. Ultimately, the contractors agreed to a flat rate of six annas per cubic foot as their expenses on felling, logging, supervision, etc. This was a very reasonable figure.

At the meeting, the contractors also agreed to the suggestion made to them that each individual contractor should apply to the Divisional Forest Officer, intimating to him in each case that he would have no objection to the sale of the *Adivasis*' timber by public auction after it was brought to the government depots. In the application, he would also waive all claim against the Government or the person purchasing the timber in public auction. A similar application would be put in by the tenure-holder concerned. This procedure was laid down in order to obviate all legal complications about the sale of the *Adivasis*' timber through government depots.

Several of the contractors filed applications in accordance with the agreed procedure but some of them were still recalcitrant. There was no way of dealing with them except by new legislation. The Collector was very keen that an Ordinance should be passed, prohibiting purchase of timber by any person without the previous consent of the Collector, who might be authorised to fix such price as he considered reasonable before he allowed the timber to be purchased. He also wanted powers to be given to him to detain and hold enquiry regarding any timber going out of the district or being in transit in the district, with a view to ascertaining that the timber had not been purchased from an aboriginal. The proposals for such an Ordinance were sent by him on January 2, 1956—12 days after action was taken by him to stop the movement of timber. The State Government were prompt to respond to his request, and on January 18, 1956, they sent the draft Ordinance to the Ministry of Home Affairs in the Union Government, to obtain instructions of the President under the proviso to Clause I of Article 213 of the Constitution. The Union Government sent their comments on the proposed draft Ordinance on January 25, 1956 and made some suggestions for changes in the legislation. A Bill known as M.P. Protection of Scheduled Tribes (Interest in Trees) Bill, 1956 was prepared by the State

Government, incorporating the changes suggested by the Union Government and the draft Bill was sent to the Union Government on February 23, 1956 for their prior approval. After some correspondence, the Union Government agreed to the proposed Bill, which was introduced in the Vidhan Sabha and taken through all stages without any delay. It received the President's assent on June 21, 1956 and came into force as the M.P. Protection of Scheduled Tribes (Interest in Trees) Act, 1956.

This Act is unique in so far as it forbids a contract with a tenure-holder belonging to the aboriginal tribe for the sale of timber of specified trees in his holdings, without the written permission of the Collector. The Collector is not to grant such permission unless he is satisfied that consideration for the contract is adequate and unless the full amount is paid to the cultivator in his presence. In regard to old contracts for transfer of interests in specified trees, the *Adivasi* tenure-holder was authorised to apply to the Collector for cancellation of such contracts on the ground that the consideration therefor was substantially inadequate. On receipt of such an application and after completing enquiries and going through certain requirements of law, the Collector could pass a final order cancelling the contract, thereby giving full rights to the tenure-holder on the timber lying in his holding. Contravention of the provisions of the Act was made a cognizable offence, punishable with rigorous imprisonment, extending to six months, or to a fine upto Rs. 2,000.

The Collector took immediate advantage of the provisions of the new Act. He called subordinate officers who were in touch with the *Adivasis* in their villages and instructed them to bring the provisions of the new Act home to the aboriginals, and to persuade them to apply for the cancellation of their old contracts, both for standing trees as well as the timber lying in their fields. Such applications from the *Adivasis* came thick and fast. They were sent in bundles through special messengers to the Collector at the district headquarters. On the basis of these applications, revenue cases were registered and returned to the Sub-Divisional Officer, Kanker for enquiry

and report in accordance with the provisions of the Act. The Sub-Divisional Officer employed special process servers, had the notices delivered to contractors, fixed up the hearing of the cases within a few days of the issue of the notices, completed all the evidence from day to day and sent his reports to the Collector. In the course of the proceedings in his court, the Sub-Divisional Officer fixed the dates when the contractors, who were present before him or who, even though absent, had been legally served with notices by him, were required to be present before the Collector. The dates convenient for the Collector were ascertained by him from time to time on the telephone. After passing interim orders calling upon the applicants to deposit the amounts received by them from the contractors and the expenses incurred by the latter on the felling and logging of timber, the Collector fixed the dates when the Sub-Divisional Officer would proceed with the cases. On these days the Sub-Divisional Officer, in his turn, would obtain from the cultivators the deposit of the amounts due from them and send the cases back to the Collector, again to be taken up on the dates specified beforehand, for final orders for cancellation of the old contracts. With these orders passed, the contractors were completely out of the picture. In this manner, hundreds of contracts for varying amounts were finally cancelled in a short time.

An unexpected hitch came at the stage when the *Adivasis* were required to deposit the amounts due from them in accordance with the Collector's orders. The *Adivasis* had no money for such payments. A way out was found by getting the Co-operative Bank, Raipur to take interest in the affair. The Bank agreed to open a branch in Bhanupratappur *tahsil* and advanced to the cultivators the amounts required by them for deposit with a view to getting their contracts cancelled. This was a great help to the *Adivasi* tenure-holders.

The new Act provided for the sale of timber by *Adivasis* to contractors with the Collector's permission. In Bastar district, the Collector knew that such permission, though hedged in by all sorts of safeguards, would lead to the revival of the exploitation of the *Adivasis* and nullify all the

measures taken so far to stop it. He was determined not to give such permission. But, if the contractors came up with applications, they would have to be dealt with as judicial cases and appeals could be preferred by them against the orders of the Collector. Fortunately, the situation in the district acted as a deterrent to the contractors and, though conscious of their legal rights, none of them in the next two years put in even a single application for permission under the Act to purchase timber from *Adivasis*' holdings.

Another feature of the new Act which could have benefited the contractors, was the limited scope of its application to only the "standing" timber in *Adivasis*' holdings. The timber taken out by the *Adivasis* themselves out of their fields and sold to the contractors was beyond the purview of the Act. The possibility of the contractors, resuming their business by using tenure-holders as their agents, was not ruled out. The Collector gave strict instructions to the police that even in such cases offences should be registered and the offenders prosecuted on the ground that the purchases had in reality been made before the timber was removed from the holdings. In the prevailing atmosphere, it did not become necessary for the police to take action in accordance with these instructions, except in a solitary case in which the alleged offender, before being prosecuted, expressed regret and promised not to repeat his mistake. The timber contractors were not prepared to take any further risks.

With timber contractors out of their business, an alternative agency was necessary for disposal of the timber of the *Adivasis*. Even before action was taken by the Collector against timber contractors, the Conservator of Forests had made proposals to the Chief Conservator for getting Government's sanction for the opening of government depots for the sale of the *Adivasis*' timber, through the Divisional Forest Officer, in the same manner as Government timber was sold. The intention was that separate lots should be kept for each of the cultivators and the amount fetched in the auction should be paid to them after the deduction of actual expenses incurred by the Government plus supervision charges at 5 per cent of the sale price. The Collector thought that the sale of timber

of the *Adivasis* through government depots would bring them large sums of money and he moved the Government for immediate orders on the proposals of the Chief Conservator of Forests. The Government agreed with the proposal. In the beginning of 1956, an imprest of Rs. 50,000, which was later increased to Rs. 2 lakhs and then to Rs. 4 lakhs, was placed at the disposal of the Divisional Forest Officer to enable him to pay 60 per cent of the estimated price to the tenure-holders as advances against the logs brought by them to the depots.

As a result of the close contacts which the officials could establish with the villagers, the cultivators started bringing their timber to government depots. At first, the villagers were afraid that the contractors, who were fighting their cases in the High Court, would assert their rights against them. With the decision of the High Court in favour of the Government and with the willingness expressed by many of the contractors at the meeting on March 17, 1956, to wind up their business and finally with the cancellation of all the contracts under the M.P. Protection of Scheduled Tribes (Interest in Trees) Act, 1956, the keenness of the *Adivasis* to benefit from government depots greatly increased. They had, however, to be helped in carting their timber to the depots. Arrangements were made with cartmen on behalf of the villagers and felled timber was transferred to government depots. The cartmen were paid at the depots out of the small advances made to the tenure-holders in accordance with the scheme.

The first auction of the *Adivasis'* timber in government depots was an important event. The dates for the auction were fixed for April 30, May 1 and May 2, 1956. Though some of the contractors had earlier agreed to waive all their rights, others were still pressing their claims. The new Act had not yet come into force. The contractors thought that they would get round the prospective purchasers and ask them not to make any purchases of the tenure-holders' timber, over which they claimed their rights. For the Forest Department, it was a novel experience to auction timber in small lots belonging to individuals. The purchasers were not used to offering bids for such a large number of lots. The outcome of the auction would have determined the attitude of the *Adivasis*

towards the steps that were being taken to facilitate the disposal of their timber. Fortunately, the results of the auction were most encouraging. The propaganda of the timber contractors had no effect on the purchasers. The sale of small lots did not affect the price obtained for the timber. 24,500 c.ft. of teak were sold for Rs. 1,35,400, thus fetching an average price of Rs. 5.50 per c.ft. Compared with the ridiculous price of a few annas per c.ft. of teak which the cultivators were getting from the contractors, this was a windfall for them.

Transport of felled timber from the fields of the *Adivasis* to the government depots was comparatively easy, but now regular and systematic felling of standing trees in the holdings of the *Adivasis* had to be taken in hand and their timber disposed of. Contractors were no longer there on the scene, but each holding had to be demarcated before trees could be allowed to be felled. The fields were often indistinguishable from government forest; and unless the boundary was first determined between the forests and the cultivators' fields, trees could not be allowed to be cut. The work of demarcation involved an elaborate and tedious process, and it was necessary to associate officials of the revenue, forest and land records departments with the survey. In consultation with the Divisional Forest Officer, the Collector organised several teams, each consisting of a *Naib Tahsildar*, a forest official and some other subordinates. Each one of these teams was instructed to take up village after village in a compact area. On the arrival of a team in a village, the cultivators, who were interested in the sale of the teak trees standing in their holdings, would apply to the *Naib Tahsildar* for the demarcation of the holdings. The land records staff, which formed part of the team, would take up the survey work. As they completed demarcation of holdings, other members of the team, under the instructions of the *Naib Tahsildar* and on the advice of the forest official, would employ, on behalf of the cultivators, organised gangs of labourers for felling the trees in each holding. Separate accounts were kept of the trees felled in each field and of the labour engaged for each cultivator. Great care was taken in making sure that the accounts of different cultivators did not get mixed up. The *Adivasis* were themselves present on the

scene and were kept informed of all that was being done on their behalf. All the transactions were made with their approval and in their name. Diversity of composition of the team and frequent supervision and inspection of its work by higher officers were intended to serve as effective checks on the likelihood of malpractices. Finally, cartmen were engaged and each cultivator would go with the cartmen taking to the government depot all the timber felled from his holdings. Receipts were obtained by him from the manager in charge of the depot and advances were given to him, so that he could pay the cartmen and the gang of labourers engaged for felling the trees on the basis of the accounts maintained on his behalf. In this manner holding after holding in each village was covered till the entire work of the felling, logging and transport of timber from all the fields of the applicants in a particular village was completed. The party would then move to another village and repeat the process.

This work continued throughout the open season of 1956-57. The timber collected in government depots was auctioned several times and good price was received each time. By the end of 1957, the timber of the *Adivasis* auctioned in government depots brought a total sum of Rs. 24 lakhs. What some *Adivasis*, whose names have been picked up at random, got from the auction of their timber, and what they had received from the contractors is indicated in the following statement :

	Adivasi's Name	Village	Amount paid by the contractor	Amount fetched in auction and paid to cultivators after cancellation of the contracts
			Rs.	Rs.
1.	Laxman Halba	Chabela	570	2,550
2.	Baldeo Halba	Pawoorwahi	150	1,000
3.	Mahraji Halba	Iragaon	160	1,540
4.	Thanwar Gond	Iragaon	100	1,025
5.	Mangia Halba	Iragaon	50	950
6.	Bissu Gond	Iragaon	670	5,695

	Adivasi's Name	Village	Amount paid by the contractor	Amount fetched in auction and paid io cultivators after cancellation of the contracts
			Rs.	Rs.
7.	Mehbar Halba	Jitkapra	240	1,165
8.	Bhisa	Amagar	515	7,550
9.	Jalhar Gond	Amagar	104	1,000
10.	Ujaiar Halba	Chemal	1,210	12,850
11.	Dharum	Chichmara	120	8,375
12.	Bhadu Gond	Dangra	160	1,300
13.	Shukla Halba	Shahkatta	30	300
14.	Mst. Aghantribai	Bangachar	300	2,285
15.	Raju Ram	Bangachar	650	2,060
16.	Jaijit	Bangachar	300	1,435
17.	Karji Gond	Iragaon	200	8,400
18.	Chaitu Gond	Iragaon	600	9,500
19.	Dular Gond	Iragaon	110	4,225
20.	Somar Gond	Iragaon	50	625
21.	Baliyar Singh	Janakpur	150	1,370
22.	Dadoo Singh	Chabela	300	4,450
23.	Pardeshi Gond	Karmoti	200	1,025
24.	Manghu Gond	Pichekatta	40	530
25.	Raju Gond	Pichekatta	15	130
26.	Kariya Gond	Gudfed	300	3,750
27.	Raju Gond	Kondrunj	140	1,300
28.	Suklu Gond	Chindgaon	400	1,875
29.	Kule Gond	Gudfed	300	2,550
30.	Gajraj Gond	Chickmarra	20	600
31.	Jhagru Gond	Pichekatta	47	800
32.	Bhao Singh	Padgal	200	4,795
33.	Ganesh Gond	Pichekalla	54	1,410
34.	Dhamse Gond	Tumsikuhi	45	450
35.	Ghasia Gond	Iragaon	200	2,150
36.	Kulla Gond	Damkara	10	150
37.	Rup Singh	Janakpur	140	3,900
38.	Jairam Gond	Junwari	100	1,200
39.	Ramji Halba	Iragaon	25	525
40.	Mansingh Gond	Tueguhan	935	4,784

After each auction, a few lakhs of rupees had to be disbursed to the *Adivasis* for their timber sold through the government depots. The Collector wanted to adopt a system which would not throw temptations in the way of the various officials involved in this process. He himself was present at the time of each disbursement. A big pandal was put up and payment to the *Adivasis* was made in accordance with a prescribed procedure. On the appointed day, along with scores of *Adivasis* who were called to receive payment, hundreds came to see the fun. Outside the pandal, there would be a big *mela.* The names of cultivators were called out, one after another. Each of them first came to the disbursing officer, who, under the watchful eye of the Divisional Forest Officer, paid him the sale proceeds of his timber, after deducting advances and supervision charges at the rate fixed by the Government. His acknowledgement was obtained and a chit was given to him containing his account, which was also explained to him. Carrying all his money, he then moved to the next table. Here, the Manager of the Cooperative Bank received from him the loan given to him for the amount required to be deposited for getting the contract cancelled under the M.P. Protection of Scheduled Tribes (Interest in Trees) Act. The Manager gave him a receipt and the *Adivasi* proceeded to the third table, where the Sub-Divisional Officer checked up his account and tallying it with the cash in his hand, asked him how much of his money he would like to deposit in the Postal Savings Account or the National Savings Certificates. Very often the *Adivasi*, at this stage, would say that he required all the money for his use. When asked the purpose for which he needed the money, he often said that he wanted to purchase a pair of buffaloes for ploughing his fields, bring about some petty improvements in his land, and perform the marriage of his son. There were cases where some *Adivasis* added that they would also get their own marriages performed after the marriage ceremonies of their sons were over. The Sub-Divisional Officer would get from the *Adivasi* himself the estimated expenditure on each one of these items and it would be found that it never worked out to more than a few hundred rupees, while the *Adivasi* held in his hand several thousand rupees. Beaten in this argument, the *Adivasi* invariably agreed to keep the remaining amount in deposit in

the Postal Savings Account or the National Savings Certificates. The postal clerk sitting next to the Sub-Divisional Officer's table gave the *Adivasi* National Savings Certificates or the Postal Savings Account Book, showing the amount deposited by him. He then went to the next table where all the receipts given to him for the various deductions and deposits were checked up by the Additional Collector or a senior Deputy Collector, and the actual cash in his hand, which he was to carry home, was verified with reference to these receipts and the actual disbursement made to him. It would thus be established to the complete satisfaction of the last verifying officer that no trick had been played on the *Adivasi* at any stage. All the while, the Collector moved from one table to another and carried out test check of the cash with the *Adivasi* on the basis of the documents in his hand.

It was a novel experience for the local officials of the postal department to have one to two lakhs of rupees deposited in the Small Savings Accounts or invested in National Savings Certificates on each day of disbursement of the sale value of timber to the *Adivasis*. By the end of 1957, these deposits amounted to Rs. 10 lakhs. Many persons who had never handled more than a few rupees at any time in their lives now had deposits of thousands of rupees. The Collector was worried that the *Adivasis* might be induced by unscrupulous persons to withdraw their money and waste it for trivial purposes or allow themselves to become victims of some other kind of exploitation. There was also the danger that, at the time of withdrawal of their deposits, the postal clerk might make false entries in the accounts and misappropriate the *Adivasi's* money. The Post Master General, who visited Bastar about this time, shared the anxiety of the district officers on this point. He agreed to the suggestion that no withdrawal should be allowed unless the form of withdrawal was attested by the Sub-Divisional Officer. No orders could have been issued by him to this effect in a formal way since such a procedure was not authorised under any existing regulations, but he gave oral instructions to his subordinates at Bhanupratappur to follow this procedure strictly and not to make any departure from it under any circumstances. His oral instructions were effective. The Sub-Divisional Officer would

personally satisfy himself about the genuineness of the need of an account holder before allowing the withdrawal of even a small sum and would verify the pass book after the withdrawal was made.

The procedure worked quite well for some time till it was discovered that a postal clerk, in collusion with some interested persons, was allowing withdrawal to *Adivasis* on getting bribes amounting in each case to 5 per cent of the amount withdrawn. He would tell the *Adivasis* that under government orders they could withdraw the amount either on verification by the Sub-Divisional Officer, as in the past, or on payment of a commission of 5 per cent. Word went round in the villages and the persons having an eye on the savings of the simple aboriginals goaded them to take advantage of the new facilities. Several *Adivasis* withdrew substantial amounts on payment of commission. By this time, the Post Master General, on whose oral instructions the procedure of verification by the Sub-Divisional Officer was being followed, had been transferred. No departmental action could, therefore, be taken against the delinquent official, but in some cases, evidence was available of the bribes taken by the clerk, and he was prosecuted.

In his efforts to stop the exploitation of *Adivasis*, the Collector had halted transport of felled timber on the ground that thefts of timber from government forests were suspected and pending investigations, felled timber would not be allowed to be moved. This problem of theft from government forests was a real problem which arose out of the "teak rush" into *Adivasis*' fields. The thefts were committed by contractors in the course of extraction of timber from the fields adjoining government forests. It was necessary to have a correct assessment of the situation. Immediately after stopping the movement of timber, the Collector put thirteen experienced officials of the land records department, who had a good record to their credit, on the job of carrying out a survey of the boundaries between the fields and the forests in all the villages in Bhanupratappur *tahsil* and in two circles of Kanker *tahsil*. The survey was a laborious job, entailing hard work, day in and day out. It was supervised by an Assistant Superintendent

of Land Records, who was an officer of proved integrity and outstanding ability. The survey revealed thefts of nearly 2500 teak trees of a very good variety from government forests. Their value was assessed by the forest officials at Rs. 17 lakhs. The timber contractors, while exploiting the *Adivasis*, had also made money at the cost of Government.

Cases were started for investigation of offences and prosecution of offenders. At the instance of the Collector, the State Government posted special C.I.D. staff in the area to expedite investigations and follow-up action. The work of this special staff for nearly two and a half years was commendable. In Bhanupratappur *tahsil* alone, 304 offences, mostly relating to theft of timber from government forests, were registered. 137 cases were sent to the court and 68 out of them ended in conviction. To a very great extent, it was the fear of prosecution in criminal cases that had made the timber contractors inactive after their first meeting with the Collector on December 21, 1955.

The large quantities of timber collected by some contractors lying scattered at different places for quite a long time posed another problem to the district administration. In common parlance, these stacks of timber were referred to as the contractor's depots. When a drive was launched for stopping the movement of timber, the bullock-carts and the trucks emptied themselves out, wherever they were. The district administration was anxious that this timber as well as the timber in the contractors' depots should not be moved at all till there was a proper solution of the whole problem. No orders could be passed prohibiting the removal of the timber, but it was soon made known to the contractors that in case they attempted to remove the timber, it would be seized by the forest officials on the suspicion that it was from the protected forests. The contractors knew that, in the context of a large number of thefts of timber detected from government forests, it would be impossible for them to prove (as they were required to do under the law) that the seized timber was not from the protected forests. They would not, therefore, take the risk of removing such timber and facing the legal consequences. They could

only hope that, with the change of circumstances, they might be in a position to transport this timber in due course, without danger. Some of them thought of making it up with the district administration and agreed not only to waive all their claims over timber in the *Adivasis'* fields, but also to pay compensation for the trees removed from government forests adjoining the fields. In their cases, permission was given to remove timber from their depots under strict supervision of government officers. Others would not give in. Their timber continued to lie in their depots for a long time till it was felt that the deadlock could no longer continue. Ultimately, such timber was seized by the forest department on the suspicion that it was from the protected forests and cases were filed in the court.

The Collector next turned his attention to the utilization of the deposits made by *Adivasis* out of the sale proceeds of their timber. Restraints on withdrawals could not, by their very nature, be a long-term solution of the problem. It was felt that the best course would be to effect permanent improvements in the holdings of the *Adivasis* and increase their income on an assured basis. Experienced staff of the agriculture department was asked to contact every cultivator having deposits to his credit, and to inspect his fields for preparing detailed plans for improved cultivation. The level of agriculture being primitive, there was great scope for improvment. Bunding would have considerably enhanced the yield in many cases. In some cases, lands growing minor millets could be converted into paddy fields. In others, facilities could have been provided for irrigation, and cash crops, vegetables and fruit trees grown. The income could also be supplemented by providing milch cattle. Proximity of the area to the mining zone of the Bhilai Steel Plant was bound to give a very good return for the milk products, vegetables and fruit. After a detailed study, plans were got ready for improvements that could possibly be made in the fields of every *Adivasi* who had deposits in the Post Office.

The *Adivasis'* savings could have provided the funds needed for investment in agricultural improvement. The

Collector was, however, apprehensive of allowing such a direct investment. He thought that the *Adivasis* would be slow to realize that improvement in their cultivation would mean increased income for them. They would think, he feared, that the money given to them with one hand was being taken away with the other. A way out of this difficulty had to be found. So the Collector proposed that the *Adivasis* might be given the usual *taccavi* loans by Government on the security of their National Savings Certificates. Normally *taccavi* could not be given to them because of the very low value of their land holdings. With the collateral security in the form of National Savings Certificates, there was no risk in making such advances. The Government accepted this proposal and sanctioned the advances for the purpose.

It was hoped that during the following four or five years, the *taccavi* loans would be repaid by the *Adivasis* out of the additional income generated by their investments and it would neither be necessary nor practicable for the *Adivasis* to cash their National Savings Certificates. This was calculated to create in them the habit of regarding their deposits as reserves, to be used only as security for obtaining funds for investment. If the scheme succeeded, the income of each *Adivasi* from his land would considerably increase, perhaps three or four fold, with the savings as reserves remaining intact.

The Collector thought the scheme was admirable; in it, he saw a logical conclusion to the measures taken by him against the exploitation of the *Adivasis.* The response of the *Adivasis,* however, was not encouraging. The *Adivasis* had an inherent distrust of government loans and no amount of persuasion by the Extension Staff could disabuse their minds of their misgivings. They could not imagine a pattern of cultivation to which they were not used, and could not be convinced of the possibility of increasing their agricultural income on an appreciable scale. Consequently, not much headway was made in the implementation of the sanctioned scheme. The district administration had to console itself with the realisation of its limitations as an agency for radical changes in the way of living of the tribal people.

Though the problems in the Bhanupratappur area demanded and got the personal attention of the Collector, he had other equally demanding pressures on his time, as Head of the district administration. He was responsible for the maintenance of law and order and in Bastar, this acquired an added significance in view of the attitude of the Maharaja of Bastar towards Government and the district administration. He was also entrusted with the responsibility for the success of the programme of intensive and integrated development in nearly a thousand villages included in the Community Project, Community Development, National Extension Service and Special Multi-Purpose Blocks. The backwardness of the district had its own peculiar problems. Government had launched several schemes for the welfare of the tribals and placed large funds at the disposal of the Collector for this purpose. The Collector had also to carry out his normal supervisory functions—annual inspections of eight *tahsils,* two *sub-tahsils* and three sub-divisions besides a number of branches of the Collectorate. In addition, there was the normal revenue administration which operated directly under him. Furthermore, Bastar was included in the Dandakaranya Development Project of the Union Government. For a long time, the Dandakaranya Development Authority did not have its own organisation and hence, its field work had to be looked after by the Collector. Every day, a number of simple *Adivasis* from different parts of the district came to the Collector with their grievances. It was in the midst of all these activities, which kept the Collector occupied for most of his time, that he had to reckon with the special problems posed by the "teak rush" in the Bhanupratappur *tahsil.*

Valuable as the teak in Bhanupratappur was, that in South Bastar was much more valuable. There, the timber in the fields of the *Adivasis* was worth several crores of rupees. During the five years, when law made it possible for them to acquire proprietory rights in their holdings on payment of a few annas for an acre, none of them profited by the opportunity. Timber contractors had their hands full in Bhanupratappur and were not yet lured by the temptation of making money in the villages lying in the midst of thick jungles at a distance of

more than two hundred miles from the nearest railway station. Meanwhile, the happenings in the northern part of Bastar made the Government conscious of the dangers of conferring proprietory rights on land-holders in backward areas or in the vicinity of good forests. Consequently, when the new Land Revenue Code came into force in 1955, a notification under the Act excluded the whole of Bastar district and several other areas of the State from the operation of the Section which enabled the cultivators to get *Bhoomiswami* rights on payment of a nominal amount. For the time being, the recurrence of the problems in South Bastar was prevented. This was a passing phase. It would not be possible to continue the notification indefinitely. Sooner or later, the same rights would have to be given to the *Adivasis* in the areas covered by the notification as had already been acquired by the people in other parts of the State. However, the Collector felt that the withdrawal of the notification would not precipitate another serious threat to the district administration in Bastar. The survey of the boundaries of *Adivasis*' fields and demarcation of their holdings would have to be done by the land records staff before any tree could be felled. Should unscrupulous persons make an attempt to exploit the *Adivasis* in South Bastar, the Collector, armed with wide powers under the M.P. Protection of Scheduled Tribes (Interest in Trees) Act, would be in a position to control the situation. The officers in the district would not then have to look on helplessly, as they had to before action was initiated in Bhanupratappur.

RAILMEN'S COOPERATIVE BANK

RAJENDRA DEV

One of the principal aspects of the employee welfare programme of the Indian Railways is the encouragement given for the establishment of cooperative societies, including cooperative banks. Some of these banks are among the largest cooperative banks in the country. These banks do not form a regular part of the railway organisation, but are independent bodies, governed by the normal law of the State in which they are situated. They are, however, given various facilities by the railway administration and their shareholders are confined to those in railway employment.

One such bank on one of the Zonal Railways, Railmen's Cooperative Bank, had been functioning for nearly 50 years at the time of the events covered in this case study; in terms of the business transacted, it was one of the largest cooperative banks. While the bank could accept deposits from anybody, its sole business normally was to lend money to its shareholders, who were all railway employees. The loans were recovered in agreed number of instalments with interest in force at the time of lending, from the salary of the employees concerned through the cooperation of the railway administration; for this, a small fee was paid by the bank to the railway administration.

The day-to-day affairs of the bank were managed by a whole time Secretary; he was assisted by an adequate number of Assistants and other staff. Its policy was controlled by an Executive Committee, consisting of : (*i*) members elected by the shareholders at the General Meeting, and (*ii*) railway officers nominated by the railway administration, of whom a senior officer was nominated as the Chairman of the Executive Committee. The elected members had a comfortable majority (9 against 4 nominated) and in the conduct of the affairs of the

bank, the majority decision prevailed. The term of one-third of the elected members expired at the Annual General Meeting, when an equivalent number of new members were elected. The General Manager of the Zonal Railway administration was invested with the powers of the Registrar of Co-operative Societies of the State concerned in almost all matters except those relating to accounting and audit. The Registrar of Co-operative Societies could, however, exercise, concurrently, all the powers that had been delegated to the General Manager.

According to the rules, the cooperative bank had to prepare yearly balance-sheets, audited by a firm of Chartered Accountants, nominated by the Registrar of Co-operative Societies at a fee to be prescribed by the latter. The audited accounts of the previous year usually formed the basis for the accounts and balance-sheet of the subsequent year.

When the newly nominated Chairman*, Shri Prasad, took charge in January, 1966, he found that the auditing of accounts had not been completed for the preceding eight years, *viz.*, from 1957-58 onwards. Therefore, no dividend had been declared in all these years, although the accounts as prepared by the bank showed a surplus. No General Meeting of the shareholders had been called during all these years, although a General Meeting was required to be held annually. The elected members of the Executive Committee also therefore did not retire during this period. Some of the elected members had, however, ceased to be members during this period since they had been awarded punishment by the railway administration in connection with their railway duties ; such punishment was a disqualification. As empowered by the bye-laws, the Executive Committee coopted members to fill these vacancies. In such cases, the tenure of coopted members was to last only up to the next General Meeting. Since no General Meeting had been held, the coopted members also continued to function for varying periods far beyond the span of a year.

The Registrar's office had not taken any effective action in respect of these lapses, beyond sending a few routine reminders to the bank and the auditors.

*He was the Sr. Deputy General Manager of that Zonal Railway.

Several of the elected members of the Executive Committee happened to be active members of one of the recognised unions of the railway administration and two of them, *viz.*, *Sarvashri* Sen and Ghosh occupied high positions among the office bearers of the Union. Continuing to function year after year and finding themselves in a comfortable majority, the elected members, led by *Sarvashri* Sen and Ghosh practically ruled the affairs of the bank as they liked. The Executive Committee used to meet once a month, but there were a number of sub-committees, such as Administrative sub-committee for recruitment and disciplinary action, Loans sub-committee for sanctioning loans to applicants, Law sub-committee for looking after litigation and legal matters, etc., which met more often and functioned regularly throughout the year. These sub-committees were elected by the Executive Committee and according to the rules, had to be manned entirely by the elected members of the Executive Committee.

There were many complaints from the share-holders and others, regarding the affairs of the bank. Some of these complaints had been enquired into by the Registrar of Cooperative Societies under his statutory powers. Among the more important complaints were :

1. No dividend had been declared after 1956-57, due to mismanagement.

2. Most of the employees of the bank were sons, relatives or otherwise under the influence of the elected members ; many of the employees taken into service did not possess the prescribed qualifications. These had been relaxed from time to time. They were, therefore, inefficient and not amenable to full control of the Secretary and his permanent supervisory staff.

3. The scales of pay and other allowances of the employees were made to accord with those prevailing in the railway administration without regard either to corresponding scales prevailing in other cooperative/other banks or the financial position of the bank itself.

4. The particulars of recovery made through the salaries of the railway employees had not been properly posted in their respective accounts ; recoveries were heavily in arrears ; and there was no check, worth the name, on the recoveries due.

5. Loans to employees were sanctioned by a sub-committee of the Executive Committee, consisting entirely of elected members and there were complaints of favouritism, of demanding contributions to the funds of the Union, if a loan application was to be recommended, and of other irregular practices.

The permanent staff, feeling themselves to be at the mercy of the elected members, dared not bring these irregularities to the notice of the Chairman.

A factor that complicated the matter was the attitude of the firm of Chartered Accountants, appointed to audit the accounts for the year 1957-58. The Registrar had duly appointed a firm of Chartered Accountants to audit the accounts of the bank every year, a different one for each year. The completion of audit of the oldest year (1957-58), however, had been held up, because the auditors concerned raised one issue after another of a type which had not been raised before. Their latest was a demand for reconstruction of records from the date of inception of the bank, showing the recoveries remaining outstanding, year by year, on a basis different from the one that had been adopted till then. The Executive Committee had considered the matter and decided to entrust the same auditing firm with the job of compilation of these records and agreed to pay them for this a fee, about five times the fee fixed by the Registrar for the annual auditing. The audit firm, however, had made little progress, although the matter had been in their hands for nearly two years. A number of reminders had been issued to the audit firm but to no effect. As the auditing of accounts for 1957-58 had not been completed, the accounts of the subsequent years could not be audited by the other audit firms appointed for the purpose.

The applications for loans continued to exceed the money available with the bank, for this purpose. However, the deposits remained at a steady level and did not increase despite some additional facilities offered by the Bank, such as withdrawal of fixed deposits before the expiry of the fixed time period at reduced interest.

The Chairman felt that the apparently satisfactory financial position of the bank could not be relied upon to last long ; he was convinced that the existing state of affairs could not be allowed to continue. The Chairman first tried to utilise the good offices of the Registrar of Cooperative Societies for expediting the completion of the audit reports of at least the three oldest years, so that a General Meeting could be called. He, accordingly, met the Registrar and persuaded him to lay down a firm target date for completion of the audit report for the oldest year, 1957-58. The audit firm, however, failed to keep to the target and gave some excuses such as the bank's inability to produce certain old books to them for preparation of the required accounts. Further pressure was brought upon the auditors through the Registrar. After one or two postponements of the target date, they ultimately submitted their report in October, 1966. Within a few days, thereafter, the audit firm for the next year also submitted its report. The two audit firms were manned by close relatives.

The audit report for 1957-58 was an unusual document; the auditors certified the balance-sheet and other accounts as they were, but added a long note in which they tried to argue that the figures as presented were not truly representative of the affairs of the bank. The conclusion in the note was that the profit shown in the balance-sheet was not reliable, as, in their opinion, the 'bad debts' picture was not correctly represented. This conclusion was not based on any detailed account like the one which they were to build up from the inception of the bank, for which high fees had been sanctioned to them. It was merely a general inference, based on their view that, of the loans issued in a year, one quarter should be recoverable in the same year and the balance three quarters in the three following

years, since the recovery was to be effected in four years. The bank pointed out to the Registrar that this was wrong since on an average, not even 1/8th of the total amount loaned was due for recovery in the same year; for example, even in respect of a loan taken in the very first month of the financial year, *viz.*, April, the recoveries would only start from May and so the total recoveries from that loan during that year would be less than 1/4th. But the loans were spread over the 12 months of the year; and, from a loan, advanced in the 12th month, no recovery was expected during that year. Thus, on an average, assuming an even spread of loans throughout the year, recoveries due in the year, out of loans advanced during that year could at best be a little less than 1/8th. On this basis, the estimate of "bad debts" seemed to be more or less as brought out in the balance-sheet. The matter was referred to the Registrar, as it was for him to give the final word about the accounts and, unless he agreed that there was in fact profit, no dividend could be declared. The Chairman thought that the General Meeting of shareholders could hardly be called, if there was no dividend to be declared ; nothing fruitful could be expected to result from such a meeting.

The next year's audit report also contained a similar note. Meanwhile, the ruling group of the elected members of the Executive Committee had begun to feel that they might have to face a General Meeting, as the Chairman was anxious to hold one as early as possible. So they began to plan their strategy. The Chairman had asked for preparation of up-to-date delimitation of constituencies as the last one prepared in 1957-58 was no longer valid, since the pattern of distribution of shareholders had changed considerably. The ruling group thought that they could change the delimitation of constituencies in such a way that, should elections be held, their hold, or at least the hold of their Union, over the affairs of the bank could be maintained. They were planning to have a larger number of constituencies delimited in the Headquarters station than warranted by the number of shareholders. Similarly, they were trying to strengthen the areas in the mofussil, where the Union had greater control. They knew that, with their majority, they

would have no difficulty in getting the Executive Committee to approve of the revised constituencies as drawn up according to their desire. They, therefore, started drafting proposals for this purpose. The Registrar's approval was necessary for such changes but they banked on the cooperation of the Registrar's office, which they seemed to have enjoyed for long.

The Chairman came to know of this through one of the elected members of the Executive Committee who felt that his own prospects of re-election were being jeopardised in the process. In view of these developments, the Chairman began to consider drastic measures for the improvement of the administration of the bank. He felt that the most desirable course would be to get the Executive Committee superseded and an Administrator or a Board of Administrators appointed for a short period to :

(1) bring all accounts of recoveries, dues, etc., up to date ;

(2) lay down a rational delimitation of constituencies and set of rules for election ;

(3) get the audit report of the two years settled with the Registrar and of the other years completed to ascertain what dividends should be declared ; and

(4) call for a General Meeting both to declare dividends and to elect new Executive Committee members, generally normalising the working of the bank.

He was aware that his predecessor facing similar difficulties had written to the Railway Board that the constitution of the Executive Committee should be changed so that the nominated members would be in a majority. The new Chairman, however, felt that this was not a proper approach in the democratic set up. He also knew that the Railway Board had no powers to alter the constitution of the bank and its Executive Committee. The Bye-laws of the bank would have to be altered ; and this could only be done with the approval of the General Meeting. The Executive Committee would surely not accept such self-denying amendments to the Bye-laws and place them for approval at the General Meeting. The Chairman also

felt that it would be very difficult to conduct a General Meeting, if no dividend was to be declared. He feared that such a meeting might end in chaos and create a law and order problem. In fact calling for a General Meeting merely to elect fresh members, according to him, would be of no use.

The Chairman also realised that the processing of his idea of getting the Executive Committee superseded would have to be done very carefully and in the most confidential manner, as there was always the danger of the scheme being stalled by recourse to judicial process in the local High Court by any one of the shareholders. This would upset his plans.

The Chairman approached the General Manager of the Zonal Railway with his proposal. The General Manager consulted the Chief Personnel Officer who was not only in charge of welfare activities but had been in that post for a number of years and was well aware of the influence and activities of the various Unions. Fortunately, for the Chairman, the Union which controlled the bank was different from the one to which, according to general reports, encouragement was being given by the Chief Personnel Officer. The Chief Personnel Officer agreed with the Chairman's proposal. The General Manager, therefore, gave his general approval to the course of action proposed by Shri Prasad. The General Manager, however, felt that in this matter the actual move for supersession should come from the office of the Registrar of the Cooperative Societies, although he also had the necessary powers to initiate such a move.

Thereafter, the Chairman approached the Registrar of Cooperative Societies, the Secretary of the Co-operative Department of the State Government and the Minister in charge of the Cooperation Department and sought their help and cooperation. The Registrar was a young I.A.S. officer who had been in the post for about 10 months and who had already learnt about the affairs of the bank. He even suspected his own officers of colluding with others for the continuance of the state of affairs in the Railmen's Cooperative Bank. It was therefore, decided that in the processing of further action, there

would be no exchange of correspondence ; the Chairman and the Registrar would meet from time to time, review the progress made, and continue to do whatever was necessary to bring about a supersession of the Executive Committee. The Chairman had already met the Registrar earlier, a number of times, in connection with getting pressure brought upon the audit firms to complete their reports. The Registrar had earlier, in 1964, appointed an Inquiry Officer to look into certain complaints on the working of the Executive Committee. The enquiry report had been received during 1966. The Registrar had asked for the comments of the Executive Committee on that report. It was decided to wait for these comments before making the next move.

Shortly afterwards the bank rates in the country were suddenly increased. The cooperative bank had no choice but to increase its rates on the savings bank deposits. In a very short time, it became clear that the rates on the fixed deposits would also have to be increased as requests for withdrawal of deposits had started flowing in. On the other hand, the Executive Committee had no powers to increase the rate of interest chargeable on the loans given by the bank, as this was already at the maximum limit which had been laid down by the General Meeting. It was only the General Meeting which could increase the limit. The situation, therefore, threatened to become critical, since the bank was required to pay higher rates of interest on deposits but could not increase the interest on the loans.

This fresh development added to the urgency of taking measures needed to supersede the Executive Committee. The law required that the Registrar should first give a 'show cause' notice to the Executive Committee, asking why it should not be superseded ; it was only, if their reply was unsatisfactory, that the Registrar could take the next step of superseding the Executive Committee. It was felt by the Chairman and the Registrar that the irregularities brought out in the report of the Inquiry Officer provided the Registrar with the needed basis on which to issue the notice. In their comments on the Inquiry Officer's Report, the Executive Committee had not explained

a few of the major items in a satisfactory manner. This was used as the basis for the Registrar's 'show cause' notice to the Executive Committee. The notice was drafted in close consultation with the Chairman of the bank and the Secretary of the Co-operative Department. They were aware that a decision to supersede the Executive Committee could be taken only after the Registrar could correctly form this conclusion on the basis of the reply that may be received from the Executive Committee; they were fully conscious of the fact that the Registrar's order of supersession could, and perhaps would, be contested in a Court of Law.

A few days after receipt of this notice, *Sarvashri* Sen and Ghosh separately approached the Chairman, stating that supersession of the Executive Committee appeared to be in the offing and suggesting that, in such an eventuality, a Board of Administrators consisting of Shri Prasad, the Chairman and *Sarvashri* Sen and Ghosh may be appointed. According to them they had been conducting most of the affairs of the bank satisfactorily for a long number of years and the ills afflicting the management of the bank were mostly attributable to the past actions of those elected members, who had since become disqualified and gone out of the Executive Committee. The Chairman realised that *Sarvashri* Sen and Ghosh thought that a supersession would probably give them a golden opportunity, should they be appointed as members of the Board of Administrators, not only to continue to wield power, but also to entrench themselves firmly, even when elections eventually took place. *Sarvashri* Sen and Ghosh also averred that the best solution was to supersede the Executive Committee. The Chairman in answer stated that it was premature to think of supersession of the Executive Committee. At the meeting of the Executive Committee, convened to consider the reply to be sent to the Registrar, *Sarvashri* Sen and Ghosh brought forward a draft reply, throwing the blame on the earlier members of the Executive Committee who had ceased to be members on disqualification and suggesting that, should the Executive Committee be superseded, nominations to the Board of Administrators should be made in consultation with the Chairman. This was

to the Chairman's liking but he tried to argue mildly that this latter part of the draft reply was unnecessary ; but the Executive Committee finally approved the reply more or less according to the draft submitted by *Sarvashri* Sen and Ghosh.

Thereafter, *Sarvashri* Sen and Ghosh continued to work to get themselves nominated as members of the Board of Administrators. They approached the Chairman again informally, who stated that he himself was not keen to join the Board of Administrators and that he had till then no idea about who would be nominated. *Sarvashri* Sen and Ghosh had also been hobnobbing with an influential Minister in the State Government. One day Shri Sen secured an invitation for the Chairman, for an exclusive type of cultural show and personally invited him to witness the show, although Shri Sen had no direct connection with the sponsors of the show. During the talk, Shri Sen let it be known that his friend, the Minister of the State Government would also be coming to the show and that Shri Sen had arranged that the Chairman would be given a seat next to the Minister. He added the Minister was a very nice gentleman and would very much like to meet Shri Prasad. Shri Prasad had, however, already paid a courtesy call on the Minister shortly after he joined. He took advantage of an actual prior engagement of a semi-official nature and politely declined the invitation. The feeling left in his mind was that Shri Sen wanted pressure brought upon him through the Minister to get Shri Sen included in the Board of Administrators.

The Chairman kept the Registrar advised of these developments and they both felt the need for the strictest secrecy about further action in the matter. It was agreed that a selected railway officer should be nominated the Chairman of the Board of Administrators. Another railway officer, an accounts man, should be one of the Members and a reliable officer of the Cooperative Department should be the second Member of the Board. The last one was mainly to go into the question of delimitation of constituencies and amendments that may be required in the Bye-laws, etc. The approval of the

General Manager to the nomination of the particular officers was also verbally obtained. The Registrar and the Chairman decided that serving of the order of supersession and taking over charge by the Board of Administrators should be simultaneous and should be on a Saturday morning. Courts are closed on Saturdays and Sundays and no court order, therefore, preventing supersession could be obtained by interested parties. The two railway officers were called by the Chairman on the preceding Thursday and told of their new assignment and what they were expected to do and also advised about the need for maintaining the strictest secrecy meanwhile. Similarly, the Registrar called his officer and briefed him suitably. The three officers were to meet at a designated place in the Railway Headquarters which also housed the bank, at 10 a.m. on Saturday, December 24, 1966. Another officer of the Registrar would bring the order of supersession. The four of them were then to proceed to the bank premises and while the order of supersession issued by the Registrar would be served by the Registrar's officer, the other three would simultaneously take charge of the bank.

The scheme was implemented as planned and the Board of Administrators took over charge without any hitch on the appointed day and time.

The Chairman felt that during the tenure of the Board of Administrators, the affairs of the bank might be expected to attain normalcy. But ultimately an Executive Committee would have to be formed ; should it again consist of a majority of elected members of a similar type he wondered whether all this action including the supersession of the Executive Committee would have been of any use.

MUNICIPAL TAXATION TWO CASE STUDIES

(I) THE SHILPA NAGAR CASE
(II) THE KOILAPUR CASE

K. C. SIVARAMAKRISHNAN

These two case studies relate to the process of municipal taxation in two neighbouring cities. While in one of the cities, the body concerned was a nominated Notified Area Authority, in the other it was a municipality under supersession run by an Administrator. The case studies describe the events that took place in the two cities during approximately the same period, *i.e.*, between 1962 and 1964, concerning the process of municipal taxation which was common to both cities under the law, but nevertheless differed in actual application. They also illustrate the effect of the attitudes of neutrality and involvement, on the part of civil servants.

The Shilpa Nagar Case

Where Shilpa Nagar stands today, there was only a stretch of jungle 15 years ago. As part of India's first interstate multi-purpose river valley project, a barrage was located there in 1955 for the purpose of elevating and diverting the river's waters to feed a million acres of agricultural land down stream.

The State's Chief Minister, a great visionary, who firmly believed the future of the State was in industrialisation, thought it would be a good idea to set up an industrial complex on the banks of the sheet of water created by the barrage. Besides, Shilpa Nagar was on the fringe of the coalfields but was itself free from coal-bearing land, thus permitting easy development without sub-surface complications.

The State Government took the initiative in setting up the first industrial unit out of its own funds : a coke-oven and thermal power plant, that would utilize the coal available near by, produce coke, power and basic coal-based chemical. It was

also expected that the Union Government would locate one of the public sector steel plants in Shilpa Nagar ; other major industries were also in the offing.

Accordingly, the State Government set up the Shilpanagar Industries Board (SIB), a semi-autonomous body, with a mandate to build the coke-oven and thermal power plant, acquire land in the surrounding area, provide water, power, and other facilities in the area and offer the developed lands at reasonable price for industry and housing.

A senior I.C.S. Officer, Mr. X who had a successful record in administering a river valley project, was appointed as the Administrator of the Board.

With the stimulus provided by the Chief Minister himself, the Board proceeded to set up the coke-oven complex, acquired vast areas of land and set up a large power distribution and water supply grid. The decision to locate the steel plant at Shilpa Nagar was taken in the meantime and work had commenced. Shilpa Nagar was firmly on the industrial map of India and several new industrial units were established there in quick succession. Within 5 years, in addition to the steel and coke-oven plants, work began on a cement machinery and boiler-making plant, a mining machinery plant, another thermal power plant, a synthetic lens plant, a special steels plant, etc.

Since Shilpa Nagar was only a collection of small villages until 1955 and as the SIB did not have any plan for building a new town, the major industries, such as the steel plant and thermal plant had to take up construction of large residential settlements on their own along with construction of the factory. The management of these plants accordingly took steps for setting up what was expected to be self-contained townships with all modern facilities.

By 1958, work had begun on five such self-contained townships : for the steel plant, the mining machinery plant, the cement machinery plant, the coke-oven, and the thermal power plant. However, within a short time, it was realized that these

self-contained townships were creating new problems : the townships were in the same industrial area and were too much near each other to be self-contained, and, at the same time, differed so much in standards and layouts as to prevent effective intercommunication.

Towards the end of 1968, the Chief Minister, realizing that such scattered and isolated developments needed to be made more orderly, had a special Act passed in the State legislature which provided for the setting up of a Shilpa Nagar Development Authority (SDA). The Authority was to consist of the Chiefs of the major industries in the area, representatives of the District administration and of the State Government and was to be responsible for co-ordinated development planning in the city, enforcement of the plan through statutory controls and implementation of selected aspects of the plan which were of city level importance. It was intended that the Shilpanagar Industries Board would then concentrate only on the coke-oven and the thermal power plant and its industrial area development functions would be taken over by SDA.

This intention, however, did not materialize. Mr. X, the Administrator of SIB was appointed to be the Chairman of SDA as well ; the Civil Engineering and other staff needed for SDA work also stayed on with SIB and the division of functions did not take place.

Furthermore, in one of the early meetings of SDA, the Chiefs of some major industries got a resolution adopted to the effect that "the General Managers of Public Sector undertakings could be depended upon to observe correct planning principles and insofar as their areas are concerned, the coordinating jurisdiction of SDA could be waived". Thus within months of its inception, SDA, more or less, abdicated from its assigned role of co-ordination.

The major industries continued to build and expand the self-contained townships. The differences in standards and the difficulties of intercommunication became more pronounced.

At the fringe of the townships where small villages existed, *bustees* grew up. The 1961 census recognized two separate areas called the Shilpa Nagar Steel Colony and the Shilpa Nagar Coke-oven Colony and returned a population of 41,000 for the two. The census did not, however, take into account the numerous pockets of development that had come up around and between these two colonies. Since the industrial colonies provided accommodation only for their own employees, the service population moved into the small villages in the vicinity which, with such overnight increases in population, rapidly deteriorated into slums. Between the steel colony and the plant, in particular, a major residential-cum-commercial slum developed. Three more company townships for the mining machinery, cement machinery and thermal power plants were added in the meantime and were enveloped in turn by squatter settlements on the fringes. The industries could not assume responsibility for any of these settlements and the SDA had neither the staff nor the resources to take care of them.

Attempts were then made to see whether some kind of local self-government institution could be set up for Shilpa Nagar to assume responsibility for the minimum civic service like water supply, sanitation, street lighting and support them by municipal taxes.

The State's Municipal Act stipulates that a town can be constituted into a municipality only if :

(*a*) at least three-fourths of its adult population are employed in pursuits other than agriculture,
(*b*) the population is not less than 3000, and
(*c*) the average density is not less than 1000 persons per square mile.

It was thought that for compactness and homogeneity, the Shilpa Nagar area to be considered for the jurisdiction of any local self-government authority should cover some 60 square miles, containing the various industries, the residential colonies as also the numerous squatter and other private residential

settlements. It was not very clear to the Government whether the conditions set forth in the Municipal Act could be satisfied, especially because agriculture continued to be a major activity in the several pockets of unacquired land. Besides, the record of the numerous elected municipalities in the State was not one to inspire confidence and among the Government officials and the local Chiefs of industries, there was a consensus of opinion that, at least in the initial stages, Shilpa Nagar's local Government should not be exposed to political pressures.

In 1960, through a major amendment to the Municipal Act, the State Government had obtained the power to set up Notified Area Authorities for :

> areas which did not fulfil the conditions for being constituted a municipality under the Act ;
>
> areas comprised in newly developing towns, or
>
> areas in which new industries had been or were being established.

Unlike Notified Area Authorities elsewhere in the country, this particular amendment made it possible for all the powers of a municipality, including powers of taxation, to be executed by a NAA which was to consist of not less than 5 and not more than 9 members, all to be appointed by the State Government. Thus, for all practical purposes, NAAs were municipalities with the important omission of elections to municipal office.

By 1961, the State Government had established a NAA for another new town in the State and it was decided that Shilpa Nagar should also be constituted into a Notified Area Authority. Accordingly on October 1, 1962 the Shilpa Nagar Notified Area Authority (SNAA) came into existence with the following seven members :

1. The General Manager of Steel Plant.
2. The General Manager of the Mining Machinery Plant.
3. The local Sub-Divisional Officer.
4. The M.L.A. from a neighbouring constituency.

5. & 6. Former Presidents of the two village Union Boards now covered by SNAA.
7. A member of the District School Board (Mr. Y).
8. The Principal of the local Engineering College.

The MLA from the neighbouring constituency was a member of the ruling party—the Congress. So was the member of the District School Board, who was very influential in Congress circles. The two former Presidents of Union Boards were also known to belong to the Congress group and one of them was an elder brother of Mr. Z, the local MLA. The local Sub-Divisional Officer was an *ex officio* member of SNAA. At the time relevant to the study, this post was held by a junior officer of the Indian Administrative Service who had completed about three years of service. SNAA did not include chiefs of any of the major private sector plants in the area and representation was confined to the public sector steel plant and the public sector mining machinery plant.

For the post of the Chairman, Mr. X, the senior I.C.S. Officer who by now had become identified with anything of importance in Shilpa Nagar, was the obvious choice. With his appointment as Chairman of SNAA, the positions he held were :

1. Managing Director of the Shilpa Nagar Projects Ltd., a commercial undertaking owned by the State Government and set up to replace the Shilpanagar Industries Board in September 1961,
2. Chairman of the Shilpanagar Development Authority, set up under the special Act referred to earlier, and
3. Chairman of the Shilpanagar Notified Area Authority, set up now.

In addition, Mr. X also continued as Secretary to the State Government in the Shilpanagar Branch of the Development Department. It is appropriate at this stage to mention that Mr. Z apart from being the local MLA was also the leader of the trade union that held power in Shilpanagar Projects Ltd., Coke-oven and Thermal Power Plant, of which Mr. X

was the Managing Director. In course of this relationship Mr. X and Mr. Z came to meet quite often on trade union issues. It was generally known in the area that Mr. Z had a strong hand in the running of the trade union and the functioning of the Coke-Oven and Thermal Plants depended substantially on his inclination to maintain industrial peace in the plants.

Constituted thus, SNAA came into operation from October 1962. At the first meeting, SNAA decided to take up assessment of municipal rates. According to the provision of the State Municipal Act, local authorities are to appoint a qualified assessor from among a panel maintained for this purpose by the State Government. The assessor's task is to prepare an assessment list, showing the annual rateable value (a r v) of the holdings in the municipal jurisdiction. The a r v itself is determined according to principles and procedures, laid down in the Act and usually reflects the annual valuation of a holding. The Municipal Commissioners or the NAA committee, as the case may be, are then to determine the rates of holding tax, conservancy tax, lighting tax, etc., at certain percentages of the a r v. The distinction between a r v and the actual rate of tax is important because a r v is a valuation arrived at by a systematic procedure, while the tax rate is a percentage on it, determined at the discretion of the local authority. Besides, while the a r v cannot be changed except through a fresh assessment, the rates of tax can be varied at will by the local authority, subject to certain ceilings prescribed in the Act.

The assessor for SNAA was appointed some time towards the end of 1962. He took up assessment soon after and completed it by March, 1963. During the assessment, each major industry was reckoned as one holding and each township as another. On the a r v so determined, SNAA decided to levy the following rates :

Holding rate	@ 6% of a r v	as against the ceiling of	10%
Conservancy rate	@ 5%	—do—	10%
Water rate	@ 4%	—do—	7½%
Lighting rate	@ 1%	—do—	3%

As regards the major industries and self-contained townships, it was decided to confine the levy to holding rates only, as the other rates involved a *quid pro quo* of corresponding municipal services which these parties had provided for themselves at their own expense. On this basis, it was expected that the annual revenue of SNAA would be about Rs. 10 lakhs, out of which the holding rates on the principal industries alone would amount to nearly Rs. 7 lakhs.

Out of SNAA's total area of about 60 sq. miles, these major industries and townships covered nearly 40 sq. miles. In the remaining area, the principal localities were a rehabilitation village where a large number of persons dispossessed of their agricultural lands due to acquisition for industry had been given house-building sites in addition to employment in the industry, Bazaar 'A' near the railway station and Bazaar 'B' near the steel plant. The two bazaar areas, specially, were prospering, with more and more people coming to Shilpanagar to take up jobs. Apart from these 3 localities, about 77 villages, located on the fringes or amidst the factories and townships were also included in SNAA. On the basis of the assessment and the rates determined by SNAA, the annual revenue expected from the rehabilitation village was about Rs. 20,000, from Bazaar 'A' Rs. 67,000 and from Bazaar 'B' Rs. 62,000. The rehabilitation village had nearly 1000 pucca houses and in each of the bazaar areas, there were over 500 commercial establishments. Compared to other areas, the tax expectations were not excessive.

This was the first time any of these areas were being brought under municipal taxation. Previously, these areas were covered by Union Boards set up under the Bengal Village Self-Government Act, 1822. The Union Boards were to perform certain municipal functions like maintaining village *chowkidari* and birth/death figures. For these functions, the Boards levied a very small sum usually limited to a few rupees every year, the maximum under the Act being Rs. 80 per year. Thus for over 100 years there had been practically no local taxation in these areas and some resistance to the levies now proposed was naturally expected.

The resistance, however, assumed the proportion of an organised campaign, starting from rehabilitation village, led by none other than Mr. Y of the District School Board, the influential Congressman and the closeally of Mr. Z, the local M.L.A.

In May 1963, a mass representation was addressed to SNAA from the rehabilitation village which argued that the residents there were displaced persons, dispossessed of their agricultural lands due to acquisition for industry, that they could not afford to pay taxes at a stage when they were yet to settle down in their new homes and occupations fully, that the services needed in their area should be subsidised by the various industries and the Government and, if this was not possible, they would prefer to remain outside SNAA's jurisdiction. The representation was moved by a member himself. SNAA does not seem to have shown any resistance to the move. Instead, it resolved :

> "that the annual rates on holdings would be reasonably revised to prevent hardship. But when the majority of the inhabitants of a village wish to remain outside the jurisdiction of SNAA, the village may be so excluded, provided its location is such that it does not form an isolated pocket and can be attached to existing Union Boards or *Panchayats*".

Section 141 of the State's Municipal Act provides that "whenever from the *circumstances of the case*, the levy of a rate or rates on any holding in the municipality would be productive of *excessive hardship* to the person liable to pay the same, the Commissioners at a meeting may reduce the amount payable on account of such holding or remit the same". This is the only provision in the Act empowering the local authority to reduce or remit taxes and the power is to be exercised after considering each individual case and after deliberate conclusion to the effect that the payment of tax would cause excessive hardship. There is no provision in the Act for a local authority to give a blanket remission or reduction of taxes. When the local authority decides that reasonable reduction in the taxes should

be granted, the law requires that the authority should prescribe the principles and procedures by which the reduction will be effected.

The effects of the resolution were immediate. All payment of municipal taxes ceased not only in the rehabilitation village concerned but in other non-project areas also. It was clear that, if similar resistance and no tax compaigns were organized in other areas, similar reductions could be extracted from SNAA. Sixteen other villages, at least six of which were fast shedding their rural character and where new pucca houses were coming up and commercial establishments being developed, joined the fray and submitted similar mass representations.

The local MLA, Mr. Z now fully aware of the possibilities of the situation lent all his political support to the move and exerted considerable pressure on the Chairman, Mr. X. The Executive Officer of the Authority was instructed to hold a series of spot enquiries and by the time the next meeting was held in June, a list of holdings in all the 17 localities, the rates assessed and the proposed reductions were ready. On this basis, at its meeting held on June 19, 1963, SNAA resolved to reduce the holding rates in respect of 17 areas and further resolved that :

> "the conservancy rate be so reduced, in cases where this is applicable, that only one half of the total annual expenditure on account of conservancy services will be realised from the rate payers. The remaining half of the expenses should be borne from other sources of revenue of this Authority".

This was not the outcome of any careful assessment of excessive hardship to individual persons. On the contrary, its effect was to reduce the entire tax base itself for those localities on whose behalf the resistance campaign had been launched. In terms of money, this resolution had the effect of bringing down the estimated dues in these localities from Rs. 92,000 to Rs. 28,000.

By now, the traders and shopkeepers in the two major bazaar areas 'A' and 'B' also came to recognize the advantages of a no-tax campaign and began a concerted move to get Mr. Z, the local MLA obtain similar tax reductions for the bazaar areas. According to the assessment these two areas were to pay Rs. 62,000 and Rs. 66,000 respectively. SNAA yielded again. At the meeting held on August 31, 1963, SNAA resolved that from these bazaar areas only one half of the expenditure on conservancy and water supply would be realized by way of rates. It was not up to the Executive Officer and his staff to work out these reductions in actual practice. The reduction on account of conservancy and water rates became particularly difficult since it was nearly impossible to apportion the expenditure on the corresponding services separately for the areas where tax collection was to be limited to half the expenditure.

Even these reductions failed to satisfy the campaigners. By now, the premium on the agitational move was clearly established and the leaders of the campaign wanted a virtual moratorium on all rates.

As if to ensure success of their efforts Mr. Y and Mr. Z decided this time to enlist the help of the Minister for Local Self-Government himself. Adopting the strategy followed before, a number of mass petitions were addressed to the Minister between September and November, alleging that SNAA was an unwanted imposition on Shilpanagar people, that the rates assessed were excessive, that the reductions granted by SNAA were meagre and that all the areas outside the industries and their townships should be excluded from SNAA.

Towards the end of November, the Minister visited Shilpanagar. Thirty persons representing the various non-project or residual areas, as these had come to be known, met the Minister in a deputation led by Mr. Z the local MLA. The Chairman of SNAA, Mr. X, and the local Sub-divisional Officer, a member of SNAA were also present. The proceedings of the meeting as recorded are as follows :

> "The Minister-in-charge of Local Self-Government and *Panchayats* Department met the delegation of villagers

led by Mr. Z., MLA in connection with their representation for excluding the villagers from the jurisdiction of SNAA.

The Minister heard Mr. Z about the grievances and apprehensions of the villages and decided the following :

(*a*) No village or *mouza* included in Notified Area would be excluded from its jurisdiction.

(*b*) The rates imposed by NAA would be reduced according to the following principles :

(*i*) the holding rates in all villages will be so reduced as to equate the same with the Union Board rates ;

(*ii*) in case of holdings, which were not assessed by the Union Board, the holding rates will be remitted but this exemption will not apply to newly constructed buildings. Such buildings will be assessed at a holding rate which should be equal to the rate on a similar building in the locality ;

(*iii*) the different rates imposed in the bazaar areas will be so reduced that the total amount of rates in the Bazaar area 'A' and Bazaar area 'B' do not exceed a sum of Rs. 12,000 and Rs. 15,000 respectively. The water rate for individual house connections will, however, be levied extra.

(*c*) The rates so reduced would remain unchanged for the next five years.

The Minister also told the village representatives that improvement would be made in villages and requested the Chairman, SNAA to build some model villages with certain amenities like brick paved roads, urinals, community centres, etc."

It is not known whether the Chairman, Mr. X and the other Civil Servant, the Sub-divisional Officer, had anything to say during the discussion ; the record is silent on this. It is obvious, however, that the 'principles' which the Minister 'decided' removed whatever little pretension SNAA had of raising taxes. The total amount of rates from the so-called villages excluding the bazaar areas was about Rs. 32,000 as per the assessment. The reductions granted by SNAA itself earlier had brought this down to half, but the Minister's decision brought it down further to one third. However, the real benefit of the Minister's visit appears to have gone to the rather well-to-do bazaar areas, for, in their case, the attempt to determine principles of reduction was not even made and only a decision handed down to reduce the tax amounts to specified figures. In Bazaar area 'A' this meant a slashing of the taxes due from Rs. 67,000 to Rs. 12,000 and in Bazaar area 'B' from Rs. 62,000 to Rs. 15,000. The explanation for the rather subtle difference in the rates of reduction between the 2 bazaar areas was that area 'B' had more new buildings.

The financial implications of the Minister's decisions were perhaps not as serious as the administrative consequences that followed. Under the State Municipal Act, the Notified Area Authority is treated as a municipality with corporate autonomous status. Neither the Minister-in-charge of the Local Self-Government Department nor the State Government itself for that matter, has any right to intervene with the tax assessment, made according to a quasi-judicial procedure and the collection of taxes. Under sections 148 and 150, the assessment can be questioned only by the rate-payers and only in the manner and on the grounds, provided in the Act. The power of the State Government is limited to the appointment of a tribunal under Section 149A, to hear the applications for review from tax payers.

It was now up to Mr. X and his colleagues in SNAA to implement the 'decisions' of the Minister. This, they proceeded to do at the meeting held on December 29, 1963. Resolution-2 of the meeting reads as follows :

> "Considered the 'recommendations' of the Minister-in-charge of Local Self-Government and resolved that the rates on holdings in bazaar areas 'A' & 'B', be reduced under section 141 of the Municipal Act so that the total amount of holding rates in these areas do not exceed a sum of Rs. 12,000 and Rs. 15,000 respectively. Also resolved that the water rate for individual house connection be levied extra on the annual value of such holding as assessed by the assessor."

The use of the word 'recommendations' is an euphemism and appears to be a belated and feeble attempt on the part of the members to maintain, at least on paper, the autonomy of the Authority. The use is perhaps more appropriate in the resolution that followed :

> "Considered the recommendations of the Minister-in-charge for building some model villages within the Notified Area. It was resolved that two villages should be selected for improvement and a Committee, consisting of the following members be formed to inspect the villages and suggest model village schemes for the same."

There was no indication again as to how resources were to be found for this laudable proposal in the light of the tax moratorium.

With these resolutions, the abdication of responsibility on the part of SNAA was more or less complete. The effects of this on Shilpanagar as a whole were as follows :

1. The ability of SNAA to exercise its powers of levying and collecting taxes was substantially undermined in public estimation and in fact even the reduced taxes could not be collected.

2. The major industries, brought up in the tradition of self-contained townships, who had joined SNAA half-heartedly, only in the hope of integrated municipal

development in the entire Shilpanagar area, had their fears confirmed and they began to take less and less interest in SNAA affairs. Their representatives began to argue that their areas should not be subjected to taxation merely to subsidise the non-project areas, especially when the latter were not willing to participate in any form of taxation at all. At one stage, the General Manager of the Steel Plant even initiated a move to constitute his area into a separate municipal body and was prevailed upon, with some effort, to give up the idea.

3. Since, under section 141 of the Act, any revision of tax granted by SNAA was valid for one year only, perhaps SNAA could have retraced its steps the next year. But the Minister's assurance was for a moratorium of 5 years. Besides, with actual collections totalling Rs. 76,000 only in 1963-64, SNAA could do no more than meet the salaries of its own staff. Several of its programmes for providing or improving basic municipal services like water supply, conservancy, drainage, etc., framed against an annual revenue expectation of Rs. 10 lakhs, remained on paper. This lack of performance, inevitable in the circumstances, became further grist to the no-tax campaigner's mill. Pressing the advantages gained initially, the forces against taxation got SNAA to pass similar resolutions of remission in 1964-65 and 1965-66 as well.

One may wonder why Mr. X, the Chairman, a seasoned administrator, allowed the forces against taxation to succeed in this manner. Surely, he could not have acted in this manner out of any personal or political motivations. At that time, Shilpanagar was just emerging as a new town out of the jungle. Its political set-up was dominated by the Congress Party which was also the ruling party at the State. Understandably, the ruling party wanted to take maximum credit for the building up of Shilpanagar. At the grassroot level, the representatives of the ruling party also did not want to alienate its electorate by making the unpleasant suggestion that the people should pay

taxes, commensurate with the urban system. The role of Mr. X was to get the various institutions going and the development of Shilpanagar itself expedited as much as possible. Presumably he hoped that the political forces would settle down in due course and begin to understand increasingly the complexities of urban government and taxation and, in the initial period, perhaps he wished to avoid any confrontation.

In September 1965, SNAA was reconstituted. In addition to Mr. Y who was retained, Mr. Z, the MLA was brought in as a member this time, replacing the MLA from the neighbouring constituency. Representation for industries was increased from two to four. The Secretary of another Department which did not have any connection with the Shilpanagar Project Ltd. was appointed Chairman and another senior Civil Servant was included. The revised composition gave an opportunity to SNAA to review the situation. It was also pointed out repeatedly that successive remissions of taxes, granted on grounds of alleged hardship, were highly irregular and were liable to be questioned by any rate-payer in a court of law, involving certain responsibility on the part of the members. This perhaps deterred Mr. Z from repeating his earlier moves. Gradually, SNAA proceeded to assert its statutory powers. Finding the irregular tax reductions too complicated to administer, it was decided to get a fresh assessment prepared. The effects of this fresh assessment were not known as of 1967 but the damage to the image of SNAA did not seem easy to repair. A rare opportunity of setting up a viable and workable local authority for a new and growing industrial complex had been lost at least for the time being. SNAA's intentions and competence continued to be questioned by the industrial managements and individual citizens.

II. The Koilapur Case

Koilapur is another industrial town, only a few miles away from Shilpanagar. The municipality of Koilapur was one of the oldest local authorities in the State ; it had been constituted in 1896. At that time, it had an area of 2 sq. miles and a population of 12,000 only. In early 1900, the East India Railway

set up one of its Divisional Headquarters at Koilapur ; soon thereafter, the headquarters of the Sub-division was also shifted there. In 1930, a Steel Industry was set up in the outskirts of the town. All these led to the growing importance of the town as a centre of industry, mining, transport and administration.

In 1939, the municipal boundaries were revised to cover an area of 4.25 sq. miles and a population of about 40,000. The 1961 census returned a population of a little over 1,00,000 for Koilapur. In 1965, the jurisdiction of the municipality was doubled and as of 1967, it had nearly 2,00,000 people within its limits.

The Koilapur Municipality was run by elected Commissioners until 1957, when the State Government, acting under Section 553 of the Municipal Act, superseded the body of Commissioners on grounds of incompetence, default in collecting taxes, abuse of powers, etc. An Administrator drawn from the State Civil Service was appointed to exercise the powers and functions of the Commissioners. Within months of his appointment, the collection of municipal rates began to show substantial improvement, reaching nearly 90 per cent of the dues in the year 1958-59, probably the highest rate of collection for any municipality in the State.

The quinquennial assessment of the annual valuation of holdings fell due in 1962-63. With the approval of the Government, the Administrator appointed a qualified assessor from the State panel. The work was taken up in the middle of the financial year, 1962-63 and was completed towards the close of the year.

At the time of the assessment, the various rates levied by the municipality were as follows :

Holding rate @ 7½%	of the annual rateable value
Conservancy rate @8%	-do-
Water rate @ 6%	-do-
Lighting rate @ 1½%	-do-

On the basis of the above rates, the municipality derived a revenue of about Rs. 8 lakhs. Adopting the same rates of taxation and on the basis of the revised assessment of the annual valuation of holdings, it was found that the municipal revenues would go up to nearly Rs. 16 lakhs. This was largely because a number of new constructions had come up in the period after the last assessment and there were substantial additions to many of the existing holdings in the bazaar area. It was also found that during the previous assessment, a number of holdings had been grossly under-assessed. The Administrator exercised close supervision over the work of the assessor to ensure that the procedure laid down for the assessment was scrupulously followed. On the basis of the assessment list, thus prepared, it was expected that even with the existing rates the municipal revenues could be doubled.

Before taking action towards realization of the rates, the assessment list, as required in law, was published inviting rate-payers to submit objections, if any, under Section 148 of the Act. A number of such objections were filed promptly, especially by rate-payers in the bazaar area where the rates as per previous assessment were substantially less. Several representations were also made to the Additional District Magistrate (ADM) posted at Koilapur to intervene in the matter and reduce the assessment. He pointed out that his powers were limited only to general supervision of the municipality's working ; besides, if any rate-payer was aggrieved by the assessment, the only proper procedure was to apply for review of the same under Section 148.

A number of rate-payers were dissatisfied with the ADM's stand and as such began to address mass representations and deputations to the Minister-in-charge of Local Self-Government. This Minister was different from the Minister referred to in the Shilpanagar case ; the latter was now holding a different portfolio in the State Cabinet. The new Minister began to react more or less in the same way. He spoke to the ADM over the telephone and questioned him about the reasons for the sudden doubling of the taxation. The Minister also suggested that the

ADM should enquire into the circumstances under which the sudden increase was ordered by the Administrator and, if necessary, effect appropriate reductions in the increases. The ADM pointed out that :

(*a*) the assessment related to the annual valuation of holdings and had been done by a qualified assessor from the State panel and not by the Administrator ;

(*b*) there was no scope for any enquiry into the matter by the ADM and it was up to the individual rate-payers to object to the assessment according to established procedure ;

(*c*) since the municipality was an autonomous body, it was up to the Administrator to consider the review petitions, according to proper procedure and determine the final valuation, which would be the basis for taxation ; and

(*d*) it was not open to the Minister or any Executive Officer to pass orders to the Administrator in the matter.

The Minister was not convinced and the Administrator and the ADM were summoned to the State Headquarters to meet the Minister. During the meeting, the ADM reiterated his views. In response to a query from the Minister as to why enhancement of taxation was necessary, it was pointed out that the municipality had been incurring an annual deficit of about Rs. 2 lakhs and it was committed to additional expenditure of about Rs. 4 lakhs per annum on compulsory Primary Education, amortization of a recently completed water supply scheme, salary increases, new development schemes, etc.

The Minister's reaction to this was that while he understood all this, he expected the officers to have the sense to realize that the municipality, having been under supersession since 1957, had to have elections very soon and with such stiff increases in taxation, the chances of the ruling party succeeding in the municipal elections would be undermined. The ADM replied that this was hardly a factor for consideration in the

matter of the much-needed taxation. Besides, he explained that the previous body of Commissioners had been superseded for financial incompetence ; it was, therefore essential to put the municipality on a sound financial footing during the tenure of the Administrator ; otherwise, he added, even if the ruling party were returned to power after municipal elections, it would find there was no money to fulfil any of its election promises to the rate-payers. The Minister seemed to be impressed by this argument and enquired as to what would be the figure of tax yield after the review petitions had been considered in the usual course prescribed by law. He was informed that usually the tax amounts came down by about 20 per cent and accordingly, the preliminary tax expectation of Rs. 16 lakhs might come down to about Rs. 13 lakhs. The Minister wished the amount to be brought down further but the officers indicated that there was no scope for any bargaining or any adjustment in the matter as the review petitions had to be heard in a quasi-judicial manner and each case decided on merits. The Minister then asked whether, without disturbing the valuation of holdings as per assessment, relief could be given by reducing the rates, *i.e.*, the percentages levied on valuation. The ADM and the Administrator vigorously opposed this step ; though such an action would have been fully within the competence of the municipality, it would have been suicidal to its interests, its finances and its ability to run and develop municipal services. After further arguments along these lines, the Minister seemed convinced that it would be futile to interfere with the assessment. He, however, felt strongly that the numerous representations received should be considered and the alleged grievances of the rate-payers assuaged appropriately. He, therefore, informed the officials that he would personally visit Koilapur within a few days to meet the petitioners and other leading citizens who disputed the assessment and discuss the matter with them.

The officials returned to Koilapur with the satisfaction of having successfully presented their point of view but unsure of what would be the final outcome after the visit of the Minister. Both the officials were comparatively junior officers and this

was the first time that either of them had come up against a situation of this kind, involving a difference of opinion with the Minister. While the Administrator could rely on the support of the ADM, the ADM himself was not sure as to the support he would receive from the Senior District Magistrate, stationed at the District Headquarters as well as the Divisional Commissioner and the Departmental Heads concerned. However, he was quite convinced of the merit of his stand and decided to stick to it.

Towards the end of February 1964, the Minister visited Koilapur and received a deputation comprising the representatives of various sections of rate-payers. Mr. Z the MLA from Shilpanagar, fresh from the laurels won in the no-tax campaign there, joined this deputation in person to try out the methods that made him so popular in Shilpanagar. As for the officials, the Administrator of the municipality, the ADM, the DM of the District and the Deputy Secretary, in the State Local Self-Government Department were also present.

The discussions which lasted several hours began with considerable excitement. There were wild allegations of arbitrary assessment, corruption, favouritism and incompetence against Administrator and of inaction against the ADM. It was suggested that the assessment should be given up entirely, the supersession of the municipality terminated forthwith and elections held, which alone could ensure a thorough and impartial assessment. The Minister handled the discussions with great agility at this stage and slowly brought the deputationists around to the subject of the improvements which had been effected in Koilapur since supersession and what remained to be done. Anticipating this discussion, the ADM and the Administrator had come fully prepared with facts and figures, showing the development outlay year by year since 1957, compared with the previous figures. A detailed discussion followed on items such as roads, water supply, drainage, etc., with the deputationists saying first that no work had been done at all, the Administrator giving figures of actual expenditure and the deputationists after much argument conceding that something had been done but it was not enough.

At this stage, the political 'elders' in the deputation, fearing that a discussion on what needs to be done would inevitably lead to acceptance of the need for enhanced revenues, demanded that the discussion be confined to the issue at hand, namely, the assessment. The Minister's debating skill again came to the fore and he replied that after all, as LSG Minister, his duty was to ascertain the true needs of the rate-payers. After this, several members of the deputation began to list the improvement measures, long due in their respective localities. The list became formidable but it was found that several of the improvements had in fact been included in the Five Year Plan proposals for the municipality and only lack of resources was preventing action. The Minister then confronted the deputationists with the question whether they wanted the administration to be improved and the necessary development work to be undertaken or whether they would be satisfied, if matters were left just as they were.

The discussion that followed is stated in the record of proceedings, prepared by the Deputy Secretary :

"There was consensus of opinion among all sections of the deputationists that improvement was necessary and that, for these, additional resources should be found. They were, however, divided as to how this could be achieved. Some of the deputationists suggested that the entire extra expenditure involved should be met from Government grants ; some held that the assessment on railway properties should be enhanced, while others held that the assessment should be suitably revised, so as to give relief to the poorer sections of the rate-payers living in under-developed and undeveloped areas. They had no objection to the assessment being enhanced in cases where there had actually been any under-assessment".

At this stage Mr. Z came up with what he called a 'formula' acceptable to everyone, to increase the municipality's revenues. He proposed that the additional sum of Rs. 8 lakhs, instead of being found entirely as a tax increase, should be apportioned as follows :

Rs. 3 lakhs from the railway properties,

Rs. 3 lakhs from the new areas of about 4 sq. miles proposed for inclusion within the municipality and

Rs. 2 lakhs by way of enhancement of taxes within the existing boundaries.

The proposal was greeted with immediate acclaim and for a while, even the Minister seemed to favour it. The Administrator and the ADM were quick to point out that the railway properties were being taxed in accordance with the rules for taxation of Central Government properties and no arbitrary enhancement was possible. As for the proposal to divert the tax burden substantially to the new areas proposed for inclusion within the municipality, this was not very rational for the new areas would require municipal services as much as the old and the ratepayers there would not agree to an indirect subsidy at their expense for the sake of existing localities. After considerable argument along these lines, it was agreed that the so-called formula could not be accepted.

Some of the deputationists then suggested that without interfering with the assessment, the percentage rates of them, *i.e.*, the municipal rates should be reduced. Against this, it was pointed out that the municipal rates fixed in Koilapur were at par with rates in the other municipalities in the State and, in some cases, actually lower. Besides, once the rates were lowered like this, there would be no end to similar reductions in the future and the municipality would never have adequate finances.

To continue with the record of proceedings, "The Minister observed that the necessity for development work in the municipality had been admitted by all present and that, for this, the finances of the municipality must be adequately strengthened. Whatever financial assistance could be made available from Government under Development Schemes would certainly be given. But the municipality's own resources should also be suitably augmented. The present assessment had been increased by about 100 per cent. There were various classes of holdings

in developed, under-developed and backward areas of the municipality and this should be duly taken into consideration in revising the assessment to avoid hardship to the poorer sections of the rate-payers.

The Minister announced that the total annual demand of the municipal tax which had been raised from about Rs. 8 lakhs to about Rs. 16 lakhs as a result of the new assessment, would be reduced to about Rs. 13 lakhs *on review, the relief being given after due consideration of the actual facts and circumstances of each case* in which the assessment is under objection. He also assured the deputation that cases of under-assessment would also be looked into by the Administrator and that suitable steps taken according to law to make a fresh assessment of the holdings concerned."

It may be stated that before the meeting with the deputation, the ADM and the Administrator had arranged for the Minister, an extensive tour of the municipal areas, including a visit to the large water works nearing completion. Care was taken to ensure that the Minister visited not only the brighter parts in the municipality, where in recent years considerable improvements had been undertaken, but also the slums and blighted areas where much work remained to be done. The figures of collection and expenditure for two/three years before the beginning of the supersession in 1967 and for all the years after 1957 were also shown to the Minister and brief summaries prepared and given for his study.

The next morning, the Minister was to lay the foundation stone of a new municipal market building. At that meeting, the Minister observed that after studying the problems of the municipality, he was convinced that even an annual tax revenue of Rs. 16 lakhs would be grossly insufficient to meet the needs of the situation and that, in his view, at least Rs. 25 lakhs were needed but considering that hardship was likely to be caused to poorer sections in the municipality by a sudden increase in taxation, he had advised the municipality to hear the objection petitions with due liberality so that relief to the extent of about Rs. 3 lakhs could be given.

The Minister's action here is in notable contrast to what happened at Shilpanagar. Here there was no arbitrary reduction of the proposed tax, no attempt to bring it down to some 'fixed' figure but only an advice to the Administrator to hear the review petitions with liberality, in accordance with law and after proper consideration of the circumstances in each case. It is true that, even without such advice from the Minister, this would have actually been the case, for under the law, review petitions had to be heard with due liberality and the benefits of doubt given to the rate-payer. Nevertheless, the Minister made it appear as if he was responsible for this. His desire to take credit for what would have happened in the normal course was quite understandable because, though his party MLA, Mr. Z was somewhat disappointed, the majority of the rate-payers were convinced that the Minister had listened to their grievances and had shown sympathy by advising the Administrator to give at least partial relief. The ADM and the Administrator were also happy with the Minister's handling of the situation which had not undermined or interfered with the autonomy of the municipality. Furthermore, throughout the proceedings, both of them had been allowed ample say and their contentions had not been disputed. The Minister had also decided that the hearing of the review cases should be done by the Administrator himself instead of a Tribunal and thus manifested his faith in the competence and impartiality of the officer. Subsequent events showed he was right; for, after disposal of all the cases, the actual tax dues stood at about Rs. 13.4 lakhs and there was general acceptance all around that the review had been done fairly. By the end of 1964, the municipal boundaries were revised and an additional area of 4 sq. miles was included, bringing the total area of the municipality to a little over 9 sq. miles. The same principles of assessment and review were applied to these areas, and in 1965, the total tax dues stood at nearly Rs. 17 lakhs. The period of supersession was extended, due to other reasons for another two years. In 1967, elections were held and, in keeping with a State-wide trend, a coalition of non-Congress parties came to power. While several complaints were aired during and

after the elections about the running of the municipality under the Administrator, financial incompetence or failure to collect taxes was not one of them.

Since both the Shilpanagar and Koilapur Cases relate to the same question of municipal taxation and as Civil Servants played a major role in both, it may be worthwhile attempting an analysis of the reasons that caused the difference in outcome.

The Ministers involved in the two cases were different persons. In Shilpanagar, where the main events took place in 1963, the Minister concerned was a leading member of the State Cabinet. At one stage of his career, he had also served as Chairman of a large Municipality in the State. Though his general reputation was, that he would do anything for his party, it was also known that he was a prudent and cautious man. Early in 1964, he became the State's Finance Minister. The person who succeeded this Minister and dealt with the Koilapur case was a comparatively junior member of the Cabinet. His own experience of Local Self-Government was very limited. This Minister also had the reputation of being a strong party man. While in personality and political status they were different, both had an understandable desire to be popular with the people. Yet, in the Shilpanagar Case, the Minister sought to fulfil this desire in a rather arbitrary manner, in clear excess of his power, while in Koilanagar, the Minister was willing to proceed within the means available under law. Is this difference entirely due to the fact that the Ministers concerned were two different people ?

What was the role of the Civil Servants in these two cases and to what extent did this cause the difference in outcome ? In the case of Shilpanagar, Mr. X the Chairman of SNAA occupied the main stage of events along with Mr. Z. The representatives of the 2 major industries and the Principal of the Engineering College were unaccustomed to the work of such bodies and they, therefore, looked to Mr. X for leadership. The local Sub-Divisional Officer was too junior in the Civil

Service to either counsel or counteract the Chairman. The other members were under varying degrees of Mr. Zs influence and had little to contribute on their own. The Minister come upon the scene only in the concluding stage after SNAA had begun the process of tax reduction already. The characters that mattered, therefore, were X and Z. Mr. Z was obviously determined to achieve the immediate gains that tax reductions would bring, but what reasons prompted Mr. X to acquiesce in the matter, unlike the Civil Servants in the Koilapur Case ? Some reasons may be :

(*a*) SNAA was a new organisation and covered several localities, where previously there was no municipal taxation. The resistance to taxation was understandable. But for the integrated municipal development of Shilpanagar, it was imperative that these localities remained within one administrative jurisdiction. Since the campaign of resistance included a plea for exclusion of these localities from SNAA, Mr. X might have thought that loss of revenue was preferable to disbursement in the hope that eventually matters could be set right.

(*b*) Amidst his several positions, either due to lack of time or lack of effort, Mr. X might have failed to assess the long-term consequences of the series of tax remissions, granted irregularly by the Authority at its own instance in the beginning and on the Minister's orders later. At that time, Mr X might have thought he was only being 'reasonable' or 'practical' in the face of opposition to tax.

(*c*) It is on record that when the major industries wanted to be excluded from SNAA, Mr. X did speak to the Minister vigorously opposing the move. It is quite possible that, in the case of tax reductions also, Mr. X might have argued against them, during his private discussions with the Minister. If this was true, it could be expected that Mr. X would have resisted the move for the irregular tax remissions in public also, *i.e.*, at the meeting

between the campaigners and the Minister and at the subsequent meeting of SNAA ; yet he failed to do so. One possible explanation may be that Mr. X believed in strict Civil Service neutrality ; once, the Minister had taken a 'decision', whether that decision was right or wrong, within or in excess of his jurisdiction, it was his duty to implement the decision.

In Koilanagar, on the other hand, the Civil Servants do not appear to have suffered from any such restricted connotation of their own roles. They did not hesitate to speak out their minds to the Minister, either in the beginning or during his discussions with the deputations. Despite the definitely partisan tone of the discussion, and the acrimony that marked them, these officials participated fully in the proceedings. It is conceivable, that but for this full and effective participation on their part, Mr. Z and his followers might have succeeded in pressurising the Minister to accept their stand. Besides, the two officials, in their earlier meeting with the Minister, had also taken care to point out that, though the municipality was under supersession, it was an autonomous body and any decision by the Minister would have to be in keeping with the law and the procedure laid down. There is nothing extraordinary or outstanding about the stand taken by these two officials ; they only did their duty in presenting their case to the Minister. Fortunately, they were not silenced and were allowed their say. By working conscientiously on collecting all relevant data about the tax position in Koilapur, the funds required for development and presenting all the data to the Minister in time, they considerably strengthened their case. Perhaps it was the degree of involvement and dedication shown in this case by the two officials that stands out in principal contrast to what happened in the Shilpanagar case.

REORGANISATION OF DISTRICT ADMINISTRATION IN A. P. (1967)

B. P. R. VITHAL

The Raju[1] Committee report made certain proposals concerning reorganisation of district administration, particularly with regard to the role of the Collector in respect of programmes, having a bearing on agricultural and industrial production. It is not the purpose of this study to discuss the pros and cons of those recommendations, although these are important in themselves. The recommendations made by the Raju Committee were different from many other similar recommendations, made in the past with regard to district administration and they aroused great interest outside the State also. They, therefore, certainly merit a discussion in their own right. The purpose of this study, however, is different and is to give an account of the manner in which these recommendations came to be made and ultimately to be accepted and the reactions of different interests and groups to these recommendations. The subject of this case study, therefore, is the process by which the decision was arrived at and not so much the decision itself, except of course to the extent to which the contents of the decisions had themselves an effect on the process.

A study of the process by which the decision was taken is also more interesting, because various factors, extraneous to the proposals as such and essentially political in character, came into play. Sri M.T. Raju, Chairman of the committee, was an outstanding senior civil servant, who was known to have strong views on the role and function of administration and the effect that *Panchayati Raj* had on this ; he had expressed his views on several occasions so that some non-officials could not consider

[1]Sri M.T. Raju, I.C.S., the Chairman of the Committee was First Member, Board of Revenue, Andhra Pradesh.

the recommendations of the committee on their own merits, without being affected by the fact that they were recommendations of a committee, headed by him.

The non-official opposition was led by Sri J. Vengal Rao, President of the State Chamber of *Panchayati Raj*, who was known to be among the dissidents in the ruling party. Sri V. B. Raju, who was a member of the Administrative Reforms Committee, appointed by the State Government in 1964 and which had made a recommendation regarding the District Collector and the *Zilla Parishad*, which was diametrically opposed to the recommendations of the Raju Committee, was then the Revenue Minister. Sri M.T. Raju was the First Member of the Board of Revenue; the abolition of this post was another recommendation of the Administrative Reforms Committee. And, above all, the most important factor was the attitude of the Chief Minister. He had emerged, politically strengthened from the elections of 1967 and seemed to be possessed by a sense of urgency with regard to basic reforms in administration. He was receptive to suggestions for basic changes of the type, involved in the recommendations of the Raju Committee.

There is perhaps no functionary, more distinctively characteristic of British administration in India than the District Collector. It is a post, which had acquired a halo, sufficient to inspire awe among the people and a nostalgia among those who had held the post. It represented the quintessence of the paternal administration of the British. It was, therefore, only natural that with the coming of Independence, all attempts at administrative reform should have been first directed towards changing the role and function of this post. It is also interesting to note that most recommendations urged only a change in the role of this functionary, rather than an abolition of the functionary himself.

Development programmes seemed to depend on the prestige of this post for their success. There was no attempt to supplant it. It was only with the coming of the *Panchayati Raj* institutions and the emergence of another strong personality in

the shape of the Chairman, *Zilla Parishad* that the seeds of direct attack on the very basis of the existence of such a post were sown. In Andhra Pradesh, too, there had been previous recommendations with regard to this post. The Administrative Reforms Committee, appointed by the State Government in 1964 itself went into this question and more than a year later submitted its recommendations in October, 1965. No decision had been taken on these recommendations by April 1967, when a Collectors' conference was called. Yet, during the course of the discussions at the conference, lasting in all not more than about nine hours, spread over two days, a set of recommendations, quite different from those made in the past, either in this State or elsewhere, had been not only evolved but generally accepted. In fact, the speed with which proposals of such a fundamental nature were accepted became a factor in raising doubts in the minds of those, inherently opposed to these recommendations as to the reasons for which these were being made by the bureaucrats and accepted by the political executive.

The State Administrative Reforms Committee had in its recommendations suggested that all the district officers concerned with developmental activities should function under the administrative control of the *Zilla Parishad.* They observed that this could be done in one of two ways—either by putting the District Collector in charge of development work and giving him necessary assistance to discharge his other functions ; or, by leaving the Collector in charge of the other work and appointing another senior I.A.S. officer exclusively for development work, who would be the Chief Executive Officer of the *Zilla Parishad.* They expressed themselves in favour of the latter, suggesting that care should be taken to see that the Chief Executive Officer of the *Zilla Parishad* was slightly junior in rank to the District Collector. (See Annexure I). The Committee on Estimates of the State Legislature had in its 12th Report for 1965-66 made a suggestion which was the exact opposite of this. They suggested that the senior officer should be the Chief Executive Officer of the *Zilla Parishad* and that the Collector of Revenue should be put under his

administrative control. The *Panchayati Raj* Department took the view in July 1967 that with two senior I.A.S. officers in the same area, there was bound to be a clash between them. They also felt that unless all developmental activities were entrusted to the *Zilla Parishad* and the Collector was kept outside its orbit, it would not help in its smooth working.

The Collector's Conference and the First Report, April 12-14 1967.

After the General Elections in 1967, the first Collector's conference was called on the 12th, 13th and 14th of April, 1967. The first item on the agenda was "Administrative Reforms with reference to the administrative set-up at the district level and below, bearing in mind economy and efficiency." The discussion was to be initiated by Sri M.T. Raju, First Member, Board of Revenue. In the agenda notes for the conference, there was nothing to suggest that there would be a full review of the position of the Collector *vis-a-vis* the developmental schemes of the government. The only important suggestion pertaining to the Collector was that the power to accord administrative sanction to estimates should be delegated to the District Collector and that the Minor Irrigation Survey wing should be brought directly under his control. Other than this, there was no suggestion with regard to the role of the District Collector. The Minister for Revenue in his inaugural speech referred to the recommendation of the Administrative Reforms Committee and the role of the Collector.

> "It has been very pertinently asked whether we could have in fact two parallel lines at the village level, the village officers' institution and the new institution of *Panchayati Raj*. Added to this, we have a V.L.W. (Village Level Worker) also who is not very much seen in the picture, but still we pay for him and then at the district level, the Reforms Committee made a very important recommendation that all the developmental functions could be handed over to the *Zilla Parishad* and the *Zilla Parishad* should be assisted by an I.A.S.

officer of the senior scale so that the regulatory functions and tax collections can be very efficiently handled by the Collector. That amounts to having two high-paid officers at the district level and many difficulties that might arise in the course of functioning had been discussed by the committee. I happened to be a member of the committee and Mr. Rao[2] was also there—the question was whether the personal angularities or the inherent difficulties in the system would retard the progress ; that was also considered, but anyhow it is left to your suggestion whether it is good to have two officers there. I do not know whether you propose to discuss the structural change at the apex—the merger of the Secretariat and the Heads of Departments as envisaged by the Committee ; of course, it is a very big thing and I do not think you are precluded from making any suggestion, if it is relevant and useful."

There was some discussion on the recommendations of the Administrative Reforms Committee which was not, however, very pointed. It was at this stage that the Chief Minister called upon Sri M.T. Raju to speak. When he did so, there was no mention of administration at the district level. His remarks were : "As the Minister for Revenue has said, you may speak on the structural part of the administration at the village level, at the taluk level, merger of the Secretariat and the Heads of Departments, abolition of the Board of Revenue. You may kindly concentrate your views on those matters now."

Sri Raju began his speech by stating, "The recommendations of the Administrative Reforms Committee are themselves not useful." He pointed out that the structure of administration must vary according to the function and, by way of example, took up the district administration. It is thus that the whole discussion about the function and role of the District Collector began.

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[2]Mr. V. K. Rao, ICS.

Sri M.T. Raju then presented his main idea that "there must be an overall authority at the district level, charged with the fulfilment of the Plan" and that the only appropriate authority for this would be the Collector. He pleaded for unification of functions and responsibilities, and suggested that the Collector should be the Registrar of Cooperative Societies, the Director of Agriculture and the Director of *Panchayati Raj* for the district. Collector after Collector participated in the subsequent discussions and reiterated the idea of unified control at the district level. They were all confident that the Collector would be able to discharge this function, if he was made responsible for it and was given the necessary authority. The views were unanimous to the point of embarrassment. When the Collector, West Godavari, stated that he had the privilege of discussing with the First Member the scheme put forward by him, the Chief Minister made the remark, "So there was a previous discussion," at which there was laughter and the First Member explained that the previous discussion was concerned with a Working Group, constituted by the State Government. But the laughter showed that the audience had unconsciously taken "previous discussion" to mean that the unanimity of views had been pre-arranged.

In summing up this discussion, the Revenue Minister emphasized mostly the question of the load of work and, wondered whether the Collector would be able to discharge both his normal functions as well as the new functions, suggested during the discussions. He wanted that the question of reorganisation of district administration should be examined by a Sub-Committee. He then highlighted certain issues for the consideration of the Sub-Committee, which became the basic issues that roused controversies subsequently. These were :

(1) The relations of the Collector with the *Zilla Parishad* : The Revenue Minister stated that he supposed that no change was suggested with regard to this ; but he hastened to add that he was not actually preventing the Sub-Committee from making any recommendations.

(2) The relations of the district officers with the Collector :

The Minister suggested that there should be no vagueness about this and that the confusion arising from dual control should be avoided.

(3) The relations of the Collector with the Heads of Departments.

The Sub-Committee was then constituted with the First Member, Board of Revenue as its Chairman, and the Secretary (*Panchayati Raj*), the Joint Secretary (Planning), the Registrar of Cooperative Societies, the Director of Agriculture and three Collectors as members. The Committee was to meet the same day and give its report by 9 o'clock next morning. The first report of the Committee may be seen at Annexure II.

While, as mentioned earlier, it is not the intention of this paper to discuss the recommendations of the committee as such, it is necessary to understand the rationale behind these recommendations in order to appreciate the subsequent controversies. The basic premise of the report was that "there should be a single authority charged with the responsibility of securing economic growth of the district and that the Collector being the pivot of the district administration could alone assume the role of such an authority." However, both this and the other recommendations of the committee with regard to the preparation of district plans, etc., had been suggested in different forms by other committees. The most original part of the recommendation was really the one concerning the relations of the District Collector with the Heads of Departments. The three departments concerned were agriculture, cooperation and industries. The basic argument of Sri Raju was that these were the three departments most intimately connected with industrial and agricultural programmes at the Block level. These were also departments for which the Heads of Departments were themselves I.A.S. cadre officers. There was no reason why the powers exercised by one I.A.S. Officer should not be exercised with equal efficiency by another I.A.S. officer. From this arose the suggestion that all powers of the Heads of Departments should be delegated to the District Collector. The corollary of

this suggestion was that, with the District Collector then functioning on behalf of these departments at the district level, the Heads of Departments at the State level would, in order to be effective, have to be of a status, superior to the Collector. If the Heads of Departments concerned had been I.A.S. officers, this could have been achieved by making them members of the Board of Revenue. This would also have changed the nature of the Board from a Board of Revenue to a kind of Development Board. Sri Raju, however, felt that such an arrangement would not be possible since although the post of Director of Agriculture had been a cadre post, it was then held by a technical officer and had been decadred. Irrigation was another subject which was vitally linked up with agricultural production, and yet it could not be brought within the purview of these arrangements in an identical manner, since the Chief Engineer had necessarily to be a technical officer. The arrangements proposed with regard to control over the Executive Engineer, Irrigation, at the district level were, therefore, different from those proposed for the other three district officers and this was a ground for some criticism subsequently. In view of these difficulties, a Development Board was recommended at the State Level with the First Member, Board of Revenue, being the Development Commissioner and Chairman of this Board. The then existing position was that the Chief Secretary was the Development Commissioner. The proposal, therefore, represented a change in the existing position which did not escape notice at least among the officials.

The report was discussed at the next day's conference of the Collectors. At the end of the discussion, the Chief Minister requested his colleagues, members of the Council of Ministers, to say something on the basic issues involved. The only response to this was from the then Home Minister, Sri A.C. Subba Reddy, whose objection was that merely making the Collector responsible would not change anything so long as the supply position of inputs required for agriculture did not improve. The Chief Minister stated that "there is a feeling that several things are going on parallel lines without one cohesive force which will be able to deliver the goods." The Home Minister stated: "The

parallel lines must be put an end to and led into one." The Chief Minister then stated that the report should be discussed again by the Sub-Committee and that he would be adding to the Sub-Committee the Chairman of the Telangana Regional Committee, Sri Chokka Rao and the Chairman, *Zilla Parishad*, Cuddapah, Dr. D. N. Reddy.

Thus ended the first stage in the process. During the course of 48 hours, a proposal not originally thought of in the agenda, had been evolved and generally accepted. It envisaged a significant change in the role of the District Collector *vis-a-vis* the *Panchayati Raj* institutions on the one hand and the Development Commissioner on the other. There was nothing, before the conference commenced, to give even an inkling that such a proposal would emerge out of this conference. A proposal of such far-reaching consequences was accepted practically without demur. There was one discordant note by a Deputy Secretary to Government, who pointed out that nowhere in the world had the bureaucracy been entrusted with the responsibility of economic growth. But, by quoting the Bolsheviks and history, he ensured that the substance of his point would not be considered. The other note of dissent was sounded by the only Minister who spoke on the subject, Sri A.C. Subba Reddy, who also had a pertinent point with regard to the overall shortage of inputs. But he made it in his characteristically light-hearted manner. It is also interesting to note that he was the leader of the dissident group then and it was characteristic of the controversies that arose about these proposals, that the criticisms were always voiced by dissident leaders, thereby making it difficult to distinguish whether the objections were politically-motivated or were purely objective.

Considering the fact that there was no preparation in advance, how was it that a proposal of this magnitude was so readily accepted? The period was one of general depression. The consequences of the drought and the recession had resulted in a depressing economic situation. The General Elections had shown the weakness of the ruling Congress Party in several States. Andhra Pradesh itself was passing through a period of

financial and economic difficulties. It did not seem to be clear to anybody what exactly the malady was and, much less, what the remedy should be. It was in this mood, perhaps, that the Chief Minister was looking for suggestions with regard to reform of the administration and he was willing to consider even drastic changes. In fact, on all subsequent occasions, when he did defend the recommendations of this committee, the point he made was that the main objective of administration should be economic development and the well-being of the people and that we should be willing to review any procedures or institutions that hinder this. When, in this mood of doubt and distress, suggestions were called for, it was found that the only clear and confident voice was that of Sri M.T. Raju, who seemed to have considered this problem and evolved a clear-cut solution for it at least so far as the district administration was concerned. It was a case of clarity and conviction, carrying the day. But, in another sense, also the moment was propitious for a proposal which essentially reposed faith in the District Collector. The District Collector emerges out of a General Election with a general euphoria. Election after election has proved that, given a clear-cut purpose and the necessary powers and authority for achieving that purpose, the district administration under the leadership of the Collector can perform a most efficient job. In a Collector's conference, immediately after the General Elections, therefore, the moment was psychologically appropriate for accepting the premises of a proposal that set a clear objective for the District Collector and gave him the necessary powers to achieve that objective.

The Second Report : April 26-28, 1967

The enlarged committee met on the 26th and 27th April, 1967, and submitted its report on April 28, 1967 (Annexure III). No formal orders, constituting the committee had in fact been issued by the time the committee met. The formal orders were issued subsequently on May 3, 1967, in order to enable the non-official members to draw their T.A. and D.A. for the meetings they had already attended. One of the characteristics of the working of this committee throughout was the speed with which

it functioned and this was primarily due to the drive and persistence of Sri M.T. Raju.

The earlier report had stated that the Collector should be responsible for the economic growth of the district, since it was felt that, being the pivot of the district administration, he alone could assume this role. The moment the enlarged committee met, every one seemed to have been psychologically prepared for the fact that this could no longer be the position and that the association of the *Zilla Parishad* in some manner was inevitable. This was not stated in so many words ; but when Dr. D.N. Reddy, Chairman, *Zilla Parishad*, Cuddapah, made the suggestion that it would be better to have a Development Board for the district, the suggestion was readily accepted. The new approach is brought out in the first para of the Report as follows :

> "Seeing firstly that the *Zilla Parishad* is charged under the Andhra Pradesh *Panchayat Samithis* and *Zilla Parishads* Act 1959 with the responsibility of coordination and consolidation of the Plans prepared in respect of the Blocks in the district and preparation of plans in respect of the entire district and secondly, that the *Zilla Parishad* is best constituted to generate popular zeal and effort necessary for the successful implementation of the district plan, the committee considers that the responsibility for promoting the economic growth of the district should be shared by the *Zilla Parishad* with the Collector."

It is interesting to note that this para read by itself is a *non-sequitur*. The conclusion that "the responsibility for promoting the economic growth of the district should be shared by the *Zilla Parishad* with the Collector" really follows from the earlier recommendation that the Collector should be solely responsible for the task.

The question then arose as to what should be the composition of the *Zilla* Development Board. There was no dispute that it should be a small body, since it would be responsible for

implementation of programmes. The figure of three was agreed to. It was obvious that the Collector and the Chairman, *Zilla Parishad* should be members. The real difficulty was about the third member. Here again there was agreement that he should also be from the *Zilla Parishad*. But three different alternatives were considered. One was to have one more member of the *Zilla Parishad*, nominated by Government ; the second was to have one more member of the *Zilla Parishad*, elected by the *Zilla Parishad* ; and the third was to have the Vice-Chairman, *Zilla Parishad*. The objection to the first was that it might give rise to misunderstandings about the motives of Government in nominating the third member in each district. The objection to the second suggestion was that this would necessitate an election in the *Zilla Parishad*, which again might create unnecessary complications. It was, therefore, felt that the best arrangement would be the third which would not necessitate an election and would also leave no discretion to Government. There was, however, some objection even to this suggestion, because it was felt that, in the political circumstances in certain districts, the Chairman and the Vice-Chairman of the *Zilla Parishad* were not likely to pull together. In view of these difficulties, there was a majority opinion that a two-member Board, consisting of the District Collector and the Chairman, *Zilla Parishad*, should be sufficient. But Dr. D. N. Reddy, Chairman, *Zilla Parishad*, Cuddapah felt that it would be better to have a three-member Board. It was, therefore, agreed that the Vice-Chairman, *Zilla Parishad* should also be a member of the Board.

Another difference between the original report and the second report which could perhaps be attributed to the presence of the Chairman, *Zilla Parishad* on the enlarged committee is that, while in the original report, administrative changes were discussed at taluk, divisional and village levels, in the second report, they were discussed as at the district, *parishad*, *samithi*, divisional and village levels. In the original report, the Tahsildar was also given a role at the taluk level, while this was omitted in the second report. The recommendation with regard to the divisional level was more elaborate in the second report and it was recommended that the Revenue Divisional Officer should

exercise administrative control over the Block Development Officers and other staff of the *Panchayat Samithis* within his jurisdiction. There was no reason to consider this as one of the more important recommendations in the report ; but surprisingly, a great deal of non-official criticism was concentrated on this particular point and, ultimately, one of the two modifications, agreed to by Government in the second report, was about this.

The other significant change from the recommendations of the original report was with regard to the State Level Development Board. The Chairman stated that, on reconsideration, he felt that the Development Board, presided over by the First Member would not be effective and that, if the State Board were to be effective, the Chief Secretary himself should be the Chairman. Once this was done, it followed as a corollary that the Secretaries of the concerned Departments also had to be included as members of this Board, *i.e.*, the Development Board, consisting only of Heads of Departments, recommended in the first report, became in the second report a State Development Board consisting of Heads of Departments as well as Secretaries to Government and presided over by the Chief Secretary and Development Commissioner himself. Another new suggestion made by Sri Raju was that the Heads of Departments, whose powers were being delegated to the Collector should in their turn function as *ex officio* Secretaries to Government. As mentioned earlier, the rationale of the first suggestion was that really the Board of Revenue would become a kind of Development Board at the State level, supervising the work of the Collector. Once this suggestion could not be followed to its logical conclusion, because of the Director of Agriculture and the Chief Engineer not being I.A.S. Officers, Sri Raju felt that the whole concept had to be changed and the supervisory level taken up to the Government level itself. This brought about a basic change in the structure envisaged which became one of the unique features of the recommendations. As a result of these recommendations, as against the three existing levels namely, Government, the Head of the Department and the District, there were to be only two levels—the Government which would include the Head of

the Department in his *ex officio* status and the District, where the Collector would be functioning as the Head of the Department.

The Panchayati Raj Conference—April 21 *to May* 7, 1972

The Revenue Minister briefed the Press about the recommendations of the first report of the Raju Committee immediately after the Collectors' conference on April 15, 1967. The Minister said that the Committee had been set up in pursuance of the views expressed at the Collectors' conference, that the Collector should be made the single authority in the district, accountable for the achievements of the targets fixed, particularly in the field of agricultural production, and to clothe that authority with sufficient powers.

The Minister said that the Government was also of the view that some drastic changes were necessary to achieve a higher rate of economic growth and there could be no better agency than the District Collector for this purpose. At the same time, the Government wanted to know from the administration how best harmonious relations could be maintained between the Collector and the *Panchayati Raj* institutions on the one hand and the Collector and the district heads on the other.

In this connection, the Minister indicated that any change in the structural set-up might also require bringing such district officers as were now under the Directorate of Agriculture, *Panchayati Raj*, Minor Irrigation, Cooperation, Social Welfare, Fisheries, Industries and the like, under the overall control of the Collector. "They should look to the Collector and not to the Director in the capital here," he said.

At the Collector's conference, he said, the consensus was that, whether in the field of development or the normal revenue functions, the powers of the Collector should not be eroded. On the other hand, they should be further strengthened by bringing all the district officers under his control.

On April 20, 1967, practically a full version of the report of the committee appeared in the Press. There was an immediate reaction on April 21, from Sri J. Vengal Rao, M.L.A., President of the State Chamber of *Panchayati Raj*, who gave a statement, vehemently attacking the recommendations. He called them the "death-knell of democratic decentralisation and *Panchayati Raj*." He stated that it was strange that the Revenue Minister, who was a member of the Administrative Reforms Commitee, should, instead of taking steps to implement those recommendations, have appointed another committee with a "bureaucrat" as its head to reopen the entire question. He drew attention to the fact that the committee had finalised its recommendations in a matter of days which showed "how hurried and ill-considered they are." He objected to the recommendation about the powers of the Revenue Divisional Officers, a point that was to come up again and was to be ultimately conceded by Government. He saw in the recommendations an attempt to perpetuate the Revenue Board in a new guise. Finally, he stated that, in his opinion, the ideal set-up was the Maharashtra set-up[3].

On April 28, 1967, speaking at the Gudur *Samithi* in Nellore District, the Chief Minister referred to the recommendations of the committee and stated that the Government had no intention of reducing the powers of *Zilla Parishads* and *Panchayat Samithis*. During this period, the Chief Minister referred to these recommendations on other occasions also. The recommendations contained in the second report of the enlarged committee were published in the Press on May 2, 1967. Sri Vengal Rao in a statement on May 3, 1967 attacked the recommendations contained in the second report also. He felt that there was not much difference between the first and the second reports and that the Collector would continue to be a "virtual dictator" since the inclusion of the Chairman and the Vice-Chairman of the *Zilla Parishad* in the *Zilla* Development Board was, according to him, "merely an eye-wash and an

[3]Where the *Zilla Parishad* had a separate Chief Executive Officer, also an IAS officer.

after-thought, meant to sidetrack the real issue." He again described the recommendations pertaining to the Revenue Divisional Officer as "obnoxious".

A conference of Chairmen, *Zilla Parishads* and some other functionaries of *Panchayati Raj* was convened by the Minister for *Panchayati Raj* for the 6th and 7th May, 1967. Simultaneously, an urgent meeting of the Executive Committee of the State Chamber of *Panchayati Raj* was called for May 6, 1967 to consider, according to the Press Reports, "the situtation arising out of the M. T. Raju Committee recommendations, regarding district administration." All the *Zilla Parishad* Chairmen were specially invited to attend the meeting "in view of the gravity of the issues involved." The District Chamber of *Panchayati Raj*, Hyderabad met in the meanwhile on May 4, 1967 with its President, Mr. Bhoj Reddy in the chair, and considered the report. The Chamber was of the view that district heads should be brought under the *Zilla Parishad* and that the Collector as Chairman of the Standing Committees of the *Zilla Parishad* could exercise administrative and disciplinary control over them. It felt that the Revenue Divisional Officer was "the most ill-suited officer to supervise the implementation of the plans by the *Panchayat Samithis*" and that this recommendation itself was sufficient to prove "the revenue mentality of the committee in thinking that the revenue officials can fit into any Department." The Chamber, therefore, felt that the constitution of a "parallel organisation like the *Zilla* Development Board" was unnecessary. It agreed with the view of the Raju Committee that there was need for a single authority, charged with the responsibility of securing maximum economic growth, but it considered that the single authority should be a statutorily constituted democratic body like the *Zilla Parishad*, comprising the Collector and elected representatives like MLAs, MLCs, MP, the Chairman, *Zilla Parishad* and Presidents, *Panchayat Samithis* and not the Collector alone. If still the Government were to accept the recommendations of the Raju Committee, that would be a step in the wrong direction, as it would retard the economic growth of the villages.

The Executive Committee of the State Chamber of *Panchayati Raj* met at 10.00 a.m. on May, 6, 1967. 16 out of the 20 *Zilla Parishad* Chairmen attended the meeting. According to a Press report "with the solitary exception of the Chairman of Cuddapah *Zilla Parishad*, Dr. D. N. Reddi, who was one of the two non-official members of the M. T. Raju Committee and who seemed to be reconciled to the idea of *Zilla* Development Boards, in the existing circumstances, all other members who spoke at the meeting were unanimous in their rejection of the Raju Committees's main recommendation." During the discussions, some of the representatives of *Panchayati Raj* institutions stated that they would prefer to resign their posts than submit themselves "to this humiliation". In a subsequent briefing to the Press, Sri J. Vengal Rao stated that *Zilla Parishad* Chairmen "might send in their resignations *en masse* in the event of the Government going ahead with the reorganisation." The following resolution was adopted by the Executive Committee :

> "While welcoming the proposal to delegate to the Collectors the powers of the Heads of Departments as a step in the right direction, calculated to promote better coordination and strengthen the implementation machinery, this meeting cannot but consider the proposed creation of *Zilla* Development Boards as a thoroughly retrograde step that will bring in duality and confusion in administration, besides seriously affecting the democratic institutions. When there are *Zilla Parishads*, charged with the responsibility of development work at the district level, it is quite unnecessary to create a parallel body like the *Zilla* Development Board under the Chairmanship of the Collector. The proposed functions of the *Zilla* Development Board can more effectively be discharged by the *Zilla Parishad* through its Standing Committee I. This meeting, therefore, demands that the proposal to create *Zilla* Development Boards should be scrapped and its functions should be delegated to the Standing Committee I of the *Zilla Parishad*.

> This meeting finally appeals to the Government to have the larger interests of democracy at heart and not to take decisions in haste. The *Panchayati Raj* institutions have done nothing to justify loss of faith in their capacity. We have no doubt they will prove their worth, if the Maharashtra pattern of district administration is introduced in our State by bringing all development departments under the administrative control of the *Zilla Parishad* and by appointing officers of I.A.S. rank as their Secretaries."

The same evening at 4.30, the conference of *Panchayati Raj* functionaries called by the Minister for *Panchayati Raj* was held. The Chief Minister began his speech by stating that the criticism of the Raju Committe report was "mischievous". The following Press report gives a fair account of the Chief Minister's speech :

> "Mr. Brahmananda Reddi explained in a forceful speech marked by an element of emotion, the need for an agency to ensure the proper implementation of development schemes, especially those relating to agriculture and industries, at the district level. After the advent of planning, it was felt that without the people's participation in the development programmes it would be difficult to achieve our economic objectives. In fact, the aim of decentralisation was to involve people, at all levels, in the economic programmes. But the Chief Minister pointed out, in a dynamic democratic society like ours, there was need to evaluate our policies and do some rethinking, periodically. "We may have to change our thinking owing to the compulsion of circumstances," he said. Criticism of *Panchayati Raj* had started a few years ago. The first criticism was that the *Panchayati Raj* administration was top-heavy. "With a view to accelerating the pace of implementing the social welfare schemes, the Government had entrusted schemes such as those relating to Harijan welfare to *Panchayati Raj.* But the Chief

Minister regretted not even one per cent of the improvement, shown by the Social Welfare Department, was now evident.

The main criticism against the Government, said Mr. Brahmananda Reddi, was that while the economic plans were very good, their implementation was very defective. This being the state of affairs, what was wrong in periodically evaluating our policies? Progress in every sphere of activity presupposed periodical introspection. Even at the Centre, there was lot of rethinking.

The cardinal principle of Government's policy, Mr. Brahmananda Reddi declared, was quick and efficient implementation of development plans, especially those aiming at raising agricultural and industrial production.

He urged the office-bearers of *Panchayati* bodies to view the Government's administrative policy from the stand-point of efficient and quick implementation of schemes. There was absolutely no question of eroding the position of *Zilla Parishads.* What was more, the Chairmen of *Zilla Parishads* would now have more responsibility and would be directly associated with every item of development. The Government, in a way, was shedding the unnecessary power.

He warned that if the State's economy became stagnant, the consequences would be very serious. The *Panchayati Raj* representatives should not take the proposed administrative reforms at the district level as a prestige question. He added : "People have not given us power, but only responsibility, which we have to discharge".

The Chief Minister was at a loss to understand the rationale behind the criticism of the proposal to establish *Zilla* Development Boards. There would be no interference with the *Panchayati* bodies; schemes

relating to education, communications, health and social welfare were outside the purview of the *Zilla* Development Boards. These boards would be concerned with the effective implementation of schemes to increase agricultural and industrial production.

At present, there was much confusion about the implementation of the economic programmes in the district. Could anybody tell, he asked, how much *ayacut* had been developed and under how many minor irrigation schemes ? What was the impact of these schemes on agricultural production? He doubted, if anybody could give a precise answer to these questions.

The *Panchayati* bodies might be doing some work, but what their office-bearers should realise was that the State's development was a cooperative and joint effort".

(*Deccan Chronicle* dated May 7, 1967)

The Chief Minister then himself suggested one amendment with regard to the composition of the *Zilla* Development Board. He stated that the inclusion of the Vice-Chairman, *Zilla Parishad* was not necessary and that the Collector and the Chairman, *Zilla Parishad* would be enough, since a smaller body would be better. Thus a point that had taken considerable time for discussion in the committee was straightaway settled. Although it was not explicitly stated by anyone, still one factor that must have weighed unconsciously during the discussions on this item in the committee itself was the fact that, in a three-member Board, there would be two non-official representatives. Yet in the conference of *Panchayati Raj* functionaries, there was not much discussion on the question of reducing the membership from three to two. The Chairman, *Zilla Parishad*, Karimnagar stated in the discussions that while the district Heads of Departments may be brought under the control of the Collector, there was no need for a *Zilla* Development Board as such consisting of the Collector and the Chairman, *Zilla Parishad* and that the Collector could continue to function as Chairman of the Standing Committees of the *Zilla Parishad*, where both

he and the Chairman, *Zilla Parishad*, had an opportunity of working together. Sri Chokka Rao, who was a member of the committee, explained that, with more powers being delegated to the Collector, if the Collector and the Chairman, *Zilla Parishad* were made members of the proposed Development Board, it would strengthen the hands of the Chairman, *Zilla Parishad*. Further, the *Zilla* Development Board would be having control over funds other than *Zilla Parishad*, and *Panchayat Samithi* funds, and in this way also the Chairman, *Zilla Parishad*, as a member of that Board would be acquiring more powers than those he enjoyed at present. The Chief Minister again clarified that the idea of having a small body with only two members was that it should be a body responsible for implementation. This was also the reason why the Collector was made the Chairman of the Board.

There was considerable discussion about the role of the Revenue Divisional Officer, suggested in the report of the committee and there was practically unanimous opposition to giving any administrative powers to the Revenue Divisional Officer. It was clear that, while the non-officials were willing to accept the role of the Collector in development programmes, they were not inclined to accept a similar role for the revenue hierarchy below this level. It was finally agreed that this part of the recommendation should be slightly amended. The recommendation regarding the divisional level was therefore modified by the following sentence being deleted :

> "In order that the Revenue Divisional Officer may be able to discharge these functions, he shall exercise administrative control over the Block Development Officers and the Block staff of the *Panchayat Samithis* within his jurisdiction."

and instead of stating that the disciplinary powers of the Collector under the existing rules "*should* be delegated," it was re-worded to state that these "*may* be delegated." The Chief Minister stated that the Government would consider what powers needed be delegated to the Revenue Divisional Officer.

The second item on the agenda for this conference was with regard to the restoration of powers of transfers of secondary school teachers to the Chairman, *Zilla Parishad*. The Committee on Estimates had recommended that the powers of transfer of teachers be vested with the Block Development Officers at the *Samithi* level and the Secretaries of *Zilla Parishads* at the *Zilla Parishad* level. The agenda notes stated that there had been complaints that school teachers had become targets of politics and that several teachers were transferred indiscriminately during the middle of the school year, thereby giving a lot of trouble and difficulties to the teachers concerned. The note continued to state that, though the Presidents of *Panchayat Samithis* and the Chairman of *Zilla Parishads* classified these transfers as administrative, it was found on examination, that this was not entirely correct and most of the transfers were unnecessary and also not on "administrative" grounds. According to the note, keeping the above facts in view and also the recommendations of the Estimates Committee, the powers of the Presidents of *Panchayat Samithis* and the Chairmen of *Zilla Parishads* were withdrawn under orders issued in G. O. Ms. No. 24, P.P. (S. III), entrusting the same to the Block Development Officers and the Secretaries of *Zilla Parishads*. The agenda note thus justified the withdrawal of the powers of transfer and gave no grounds for a review of this position. In the conference, however, the Chief Minister concluded the discussion on the subject by stating that the transfers should be minimum and that too only in the summer vacation and that everyone should agree to a common code of conduct. Subject to this, however, he agreed to the powers being restored to the Chairman, *Zilla Parishad*. It was the view of some of those who had participated in the conference that this concession was given as a kind of conciliatory gesture in view of the opposition that had been expressed by some of the Chairmen, *Zilla Parishads* to accepting the recommendations of the M.T. Raju Committee report.

Thus the entire discussion at the conference took place on the detailed recommendations of the committee and evidently on the assumption that the reorganisation as such was acceptable.

There was a dramatic difference between what had transpired at the meeting of the Executive Committee of the State Chamber of *Panchayati Raj* in the morning at 10 a.m., and what was happening at this meeting in the evening at 4.30 p.m. the same day. The speech of the Chief Minister showed that he had thrown the weight of his prestige behind the recommendations of the committee. In fact, from that day onwards, whenever the occasion demanded, he came out clearly in support of the recommendations and the main grounds on which he supported them were those he had mentioned in his speech quoted earlier. Thus ended the most severe controversy that arose about the recommendations of the committee. There were questions on this Report in the Assembly subsequently. There was also a discussion in the Assembly on the recommendations. But none of these subsequent controversies had the intensity of the first controversy.

Question and discussion in the Assembly—July 18, 1967

The following question was put by 3 M.L.As.—two independent and one Congress—to the Minister for *Panchayati Raj*.

(*a*) Whether the Government have appointed a committee under the chairmanship of Sri M.T. Raju, First Member, Board of Revenue to go into the working of the *Panchayati Raj* institutions and their relationship with the District Collector?

(*b*) If so, who were the members of the committee ?

(*c*) Whether a copy of the Report of the M.T. Raju Committee can be placed on the Table of the House?

(*d*) Whether a conference of Chairmen of *Zilla Parishads* was held to discuss the recommendations of M.T. Raju Committee ; and

(*e*) If so, what are the views of the Chairmen of the *Zilla Parishads* on the recommendations of the committee?

The Government took the view that the assumption in the question that the Government had appointed the M.T. Raju Committee "to go into the working of the *Panchayati Raj*

institutions and their relationship with the District Collectors" was not correct. Since the recommendations covered the reorganisation of the administrative set-up of more than one department at the district level, it was felt that the question should be answered by the Chief Minister and not by the Minister for *Panchayati Raj*. The question was accordingly transferred from the Minister for *Panchayati Raj* to the Chief Minister and an answer was given on the floor of the House as follows :—

(*a*) No, Sir.

(*b*), (*c*), (*d*) and (*e*)—Does not arise.

In the course of the supplementaries, the Chief Minister stated that the members would have an opportunity of discussing the recommendations during the Budget Demand relating to *Panchayati Raj* department.

During the discussions on the Budget Demand of the *Panchayati Raj* department, only two members referred to this report and one of them suggested that M.L.As should also be members of the *Zilla* Development Board. While the members wanted a discussion on the report itself, it did not figure prominently in the discussions on the Demand for *Panchayati Raj*. In the debate, the trend of the discussion was against *Panchayati Raj* with the members, quoting examples to show inefficiency and corruption in these institutions. It was perhaps difficult during a debate of this type to take objection to the Raju Committee report on the grounds that it sought to curtail the powers of these institutions. However, there was a demand for a separate discussion and half an hour discussion on the report was permitted.

The discussion took place in the Assembly on July 18,1967. Four prominent members of the Assembly took part in the discussion. Two of these were Independent members, one was a right Communist and the fourth, the leader of the Jana Sangh group in the House. The leader of the Jana Sangh group and one of the two Independent members were almost totally opposed to the recommendations of the Raju Committee. The

Independent member felt that the recommendations cut at the root of democratic decentralisation, while the leader of the Jana Sangh felt that the recommendations took us back to the pre-1937 days when the Collector enjoyed the powers of "Mughal emperors". When the Independent member stated that group politics were involved in this matter, the Chief Minister intervened to say that the member was making a purely political speech and had not constructively examined the merits and demerits of the recommendations. The Chief Minister stated that the Government were anxious for a discussion of the report in the House so that they could have the considered views of the members on the recommendations of the committee and appealed to them not to make the issue a political one. The Independent member, however, reiterated that there should have been some "motivation" which made those in power accept the recommendations which were against the principles on which the *Zilla Parishads* had been established. He felt that the leaders in power had "obtained" this report because the present *Zilla Parishads* were not to their liking.

The right Communist Member stated that the manner in which the committee had been constituted and the fact that the recommendations of the committee attempted to give powers to the bureaucracy at the expense of the initiative of the people had created doubts in the minds of the people about the purpose of these recommendations. He, however, agreed that there was need for coordination at the district level and that the recommendation with regard to the powers of the Heads of Departments, being delegated to the Collectors would be an improvement on the existing situation. He stated that the position with regard to *Panchayati Raj* was such that "much could be said on both sides." On the one hand, there was maladministration in the *Zilla Parishads* and, unless somebody was held responsible for the functioning at the district level, things would not improve. On the other hand, if the Raju Committee recommendations were accepted fully, there would be bureaucratization at the grass-roots, thus killing the people's initiative. While the member had reservations about the recommendations, by and large, he supported the delegation of powers to the

Collectors, but was opposed to the constitution of the *Zilla* Development Board which he felt was meant just to satisfy the Chairman, *Zilla Parishad.* He also did not agree with the recommendation, pertaining to the Revenue Divisional Officer, since the Revenue Divisional Officer was not of the same status as the Collector.

The other Independent member agreed that rethinking was necessary. But he felt that this should be in the direction of making the Collector the *ex officio* Secretary of the *Zilla Parishad* and thus making him the coordinating authority without abridging the powers of the *Zilla Parishad.* He welcomed the delegation of powers of the Heads of Departments to the Collector, but felt that the District Revenue Officer was not necessary, as it would deprive the Collector of some of his authority for coordination. He also felt that these recommendations would make the Collector answerable at the district level whereas at present, nobody was so answerable. While conceding that no statutory powers had been given to the Collectors and that, therefore, there should be no interference with the powers of the *Zilla Parishads*, he was of the view that the *Zilla* Development Board and the State Development Board were not necessary. He felt that if such Boards were established, they would usurp more powers than had been anticipated as had happened in the case of the Planning Commission.

The Minister for *Panchayati Raj* in his reply stated that there were no grounds for the apprehensions which had been expressed. There was no intention of affecting to the slightest extent any of the existing powers of the *Zilla Parishads* and *Panchayat Samithis.* He also pointed out that among the various functions of the *Zilla Parishads* and *Panchayat Samithis* only agriculture and industries were brought within the purview of the *Zilla* Development Boards, while they were not concerned with any other subject like education, communications, etc.

The Chief Minister intervened to reply to the discussion. He stated that while the members seemed to support the recommendations generally, they seemed to be troubled by misgivings on political grounds. He assured them that the

recommendations were meant to strengthen democratic decentralisation and not to replace it. He emphasized that the intention of these recommendations was to see that there was a proper mechanism for ensuring effective implementation of those programmes which had a bearing on the economic growth of the district, *viz.*, agriculture and industries. He pointed out that in the then existing situation, there was no one responsible for certain programmes and there was no effective review of them. He emphasized that there was no other motivation behind this. This had not been done, out of spite against anybody. The Chief Minister explained how the proposals had arisen during discussions at the Collector's conference. He stated that the reorganization was not being given any statutory shape. He added that they should give this a trial and see whether fruitful results by way of quick and better implementation of programmes would be achieved. "After all, this is not a no confidence in *Panchayati Raj* institutions", he said. When the Government of India were prepared to consider reorganizing an institution like the Planning Commission itself, on the basis of a review of its working, he saw no reason why they should hesitate to review the working of various institutions in the State with a view to seeing as to how best economic growth could be achieved.

The Chief Minister stated that there was no intention to cut at the roots of democracy or any institution but only to put an end to delays and defective implementation. He appealed to the members to "give this a trial." He stated that "this Government does not think in terms of powers. It thinks only in terms of responsibility to the people of this State. This is our only criterion. We asked the Collectors : 'Will you be able to discharge your duty?' They expressed confidence. We were very happy. They wanted to take the burden. Therefore, let us give this a trial. Let us not unnecessarily draw unwarranted inferences. Therefore, I would try to inform the members that this is intended purely to promote the economic growth of the State in a better way".

The leader of the Jana Sangh group intervened to say that he appreciated that the Chief Minister wanted this to be given

a trial as an experimental measure, but the Collector was already the Chairman of several Committees and the Government should review whether he had been effective in these committees ; if not, what was the justification in thinking that he would be effective in this new set up? The Collectors were no doubt ready to shoulder the responsibility. Who would refuse powers, when they were being given ? The Chief Minister stated, "What is the use of saying that the Collector is being given extra powers ? The point is that he has been loaded with extra responsibility. What is the power that we are giving extra, that he can trouble the people ?"

Issue of Government orders on the report

The report of the committee was first considered by the Government on May 2, 1967 when it was felt that it was not necessary to have a Vice-Chairman in the State Development Board. Subsequently, further consideration of the report was adjourned, pending a discussion of the report in the Legislative Assembly. On July 29, 1967, the Cabinet generally approved the proposals contained in the report. A draft Government order incorporating the recommendations of the committee was accordingly prepared and approved by the Chief Minister on September 3, 1967. But, on September 10, 1967, the Joint Secretary (Planning) who was the Convenor of the committee minuted on the file that the Chief Minister desired that the matter should be discussed again informally at the next meeting of the Cabinet. However, this was not discussed in several subsequent meetings of the Cabinet.

On October 29, 1967, Sri M. T. Raju took over as Chief Secretary to Government. On November 2, 1967, Sri Raju, as Chief Secretary to Government, sent the case to the Chief Minister for orders whether the draft already approved by the Chief Minister may be issued without further reference to the Cabinet. The Chief Minister approved and the orders were issued on November 3, 1967.

Annexure I

Extracts from the Report of the Administrative Reforms Committee, 1964-65, *constituted by the Government of Andhra Pradesh.*

In view of the great importance of the work of the officers of the development departments to the people in the rural parts, and in view of the strong views of the Chairmen, *Zilla Parishads*, in this regard, we have very carefully gone into this question. We feel that these officers, though they may be discharging their functions properly, are not sufficiently responsive to the needs of the rural population. They are likely to give priority to what their superiors consider important rather than to what is urgently required to be done for the well-being of the people. The control of the Heads of Departments over them cannot also be effective on account of the fact that they are far away from the districts and also the fact that they themselves are very busy about other things. We feel that results are likely to be more impressive and fruitful, if the work of these officers is effectively supervised from close quarters, and that these officers are likely to be more helpful to the rural people and responsive to their needs, complaints or grievances, if they are under the administrative control of a democratic institution. The rural people will get rid of their fear of officialdom, when they realise that these officials are working under their representatives and are accountable to them. The apprehension of some of the Heads of Departments, that they will lose their grip over these officers, if they are placed under the administrative control of the *Zilla Parishads*, does not appear to be real. These officers belong to the department and their prospects lie in the department. They have to look to the Heads of Departments for technical guidance. The officers, cannot, therefore, be indifferent to their own departmental superior officers. Taking all the factors into consideration, we are of the opinion that all the district officers concerned with the development activities should function under the administrative control of the *Zilla Parishads* and that it is only then that a *Zilla Parishad* can efficiently discharge the responsibilities entrusted to it under Section 47 of the *Panchayat Samithis* and *Zilla Parishads* Act. If the Departmental Officers at the district level are to be brought under the administrative

control of the *Zilla Parishad*, it is necessary to have a senior officer as Executive Officer of *Zilla Parishad* effectively to co-ordinate their work and guide them properly. This can be done in two ways. One is to put the District Collector in charge of this work and give him assistance to discharge his other functions and the other is to let the Collector do the other work which is also very important and to appoint a senior Indian Administrative Service Officer exclusively for development work. We are inclined to favour the latter alternative. This will mean a complete separation of development work from the District Collector and the creation of a new post of more or less equal rank for development work done. In our view, there are certain definite advantages in this proposal. We may point out that, in the present national emergency, which is likely to last for a fairly long period, the Collector is likely to get involved in many important duties, *e.g.*, adequate supervision over good distribution and price control which are likely to assume serious importance in coming days. Similarly, other problems connected with the maintenance of law and order, intensification of defence effort, regulation of civil supplies and conduct of elections, etc., will make serious demands on the Collector's time. To leave the coordination of development activities to him is only to invite neglect of those activities which are so vital for the welfare of the people. We, therefore, recommend that a separate officer in the senior I.A.S. scale should be appointed in each *Zilla Parishad* for effectively co-ordinating the work of development departments at the district level. We do not think that this arrangement would in any way affect the prestige of the District Collector as the sole representative of the Government at the district level. Care should, however, be taken to see that the Chief Executive Officer of the *Zilla Parishad* is slightly junior in rank to the District Collector. Under the *Zilla Parishad* and *Panchayat Samithi* Act, the District Collector has certain powers to direct the execution of certain works in an emergency (Section 50) and to suspend under certain circumstances any resolution of the *Zilla Parishad* [Section 62 (3)]. These overriding powers certainly give a superior status to the District Collector over that of the Chief Executive Officer. In our view, copies of all proceedings of the *Zilla Parishad* should

be sent to the District Collector from time to time and the personal files of the Departmental Officers under the *Zilla Parishad* should also pass through him so that he may record his own observations about their work and conduct, if he chooses to do so. We feel that the District Collector can guide the *Panchayati Raj* institutions better by remaining outside than by being in them.

We visualise that under this arrangement, the district officers of the development departments will be guided by their own technical superiors in all technical matters, but they will actually be under the administrative control of the Chief Executive Officer of the *Zilla Parishad.* This is an arrangement similar to that existing at present in regard to Extension Officers working in the *Samithi* level. The departmental officers will be directly responsible to the Chief Executive Officer in every respect except the technical aspect of their work. They will correspond direct with the Heads of their departments on technical matters and will respect such standards as may be laid down by the latter. If adequate powers are vested in these officers, it should be possible under this arrangement for most of the ordinary affairs of a citizen to be settled at the district level, and the complaint that officials are still functioning from their inaccessible ivory towers should disappear. Control of the *Zilla Parishad* is bound to make the officers more responsive to the public. The Heads of departments will also get the much-needed relief and will not be bothered with the details of the district administration. We think that the following district officers who are concerned with development activities, should function under the *Zilla Parishad* :

(1) District Agriculture Officer.
(2) District Veterinary Officer.
(3) Deputy Registrar of Cooperative Societies.
(4) District Health Officer.
(5) District Information Officer.
(6) District Industries Officer.

The Heads of departments will continue to be responsible for their postings and transfers but should as far as possible consult the Chief Executive Officer concerned before issue of final orders.

Annexure II

First Report of the M. T. Raju Committee

The Collectors' conference held on April 12, 1967 resolved that at the district level there should be a single authority charged with the responsibility of securing economic growth of the district and that the Collector being the pivot of the district administration could alone assume the role of such an authority. A committee has been constituted to examine what consequential changes in the administrative set-up will be necessary and to make recommendations in this regard.

The committee submits the following recommendations :

The Collector shall be responsible for the economic growth of the district. It will be his task to formulate and implement programmes designed to secure the economic growth of the district and, in particular, programmes connected with agricultural and industrial production. These programmes will include Irrigation and Power, Animal Husbandry and Fisheries, Co-operation and Marketing.

The Heads of departments concerned with schemes bearing on agricultural and industrial production shall, within fifteen days of the budget allotments being made for them, furnish to the Collector of each district a list of schemes—both plan and non-plan—intended to be taken up during the year. The district Heads of departments will simultaneously furnish to the Collector their proposals for utilisation of the growth potential available within the district for which no budgetary provision as such is necessary. The *Panchayat Samithis* shall also simultaneously furnish to the Collector plans pertaining to agricultural and industrial production, which are to be financed from their own funds. The Collector shall thereupon convene a conference of the district Heads of the concerned departments, examine the production potentialities of each of these schemes and fix targets of production which are to be achieved under these schemes during the year. He will prepare an integrated agricultural and industrial production plan for the year, calculated to secure maximum production with the available resources. For this purpose, he may reallocate the budgetary

provisions under the same head, exercising the powers of a Head of a department.

The Plan so prepared will be placed before the appropriate Standing Committee of the *Zilla Parishad.* The Presidents of all the *Samithis* will be invited to attend the meeting of this committee. The Collector will then finalise the Plan, taking into consideration the views of this committee.

It shall be the responsibility of the Collector to implement the plan and achieve the targets envisaged under it. He will report to the Board of Development proposed to be constituted every quarter the progress of the execution of the Plan, marking copies of relevant extracts to the concerned Heads of departments. Necessary action will thereupon be taken by the Heads of departments at the State level for remedying the deficiencies pointed out by the Collector. At the end of the year, the Collector shall submit a report to the Board, indicating the economic growth achieved and explaining the short-falls, if any, and the reasons therefor. The Board will submit an annual report to Government reviewing the economic growth achieved in each of the districts.

In order to ensure efficient implementation of the integrated District Plan, the following changes in the district administration are recommended :

1. *District level*

The basic departments which are to participate in the programmes of economic growth are :

1. Agriculture
2. Irrigation (Minor)
3. Cooperation
4. *Panchayati Raj*
5. Industries

The Collector will be the head of each of these departments for the district, except Minor Irrigation. He will exercise all

the administrative powers of the Registrar of Co-operative Societies, Director of Agriculture, Commissioner of *Panchayati Raj* and Director of Industries within his district. For this purpose, the administrative powers of these Heads of Departments, statutory as well as non-statutory, will be delegated to the Collector. The district Heads of these departments will merge in the organisation of the Collectorate. In the case of Minor Irrigation, the district Head will be under the administrative control of the Collector.

As regards other district Heads, they shall carry out such directions as may be issued by the Collector from time to time in regard to the implementation of the schemes included in the district plan.

2. *Taluk level*

The *Panchayat Samithi* will be responsible for implementation of the schemes included in the district plan falling within its purview. So far as the schemes falling outside the purview of the *Samithi* are concerned, the *tahsildar* shall be responsible for their implementation. In order to ensure co-ordination in the implementation of both the schemes, it is recommended that the *tahsildar* should function as Special Block Development Officer under the control of the *Samithi* in respect of schemes falling within its purview. He will exercise necessary control over the field staff for this purpose.

3. *Divisional Level*

The Revenue Divisional Officer will be the reviewing and evaluating authority in respect of all schemes included in the plan which fall within his division. The district heads will furnish from time to time to the Revenue Divisional Officer their notes of inspection of the work of their field staff in relation to their schemes within his division.

4. *Village and Firka level*

The question of integration of the revenue establishment with the *Panchayat* at the village level can be considered only when the new land revenue pattern is known. Only as and

when the revenue establishment and the *Panchayat* are integrated at the village level can the question of integration of the posts of Revenue Inspector and Village Level Worker of the firka level appropriately be considered.

5. *State level*

At the State level, there will be a Development Board consisting of the following :

1. First Member, Board of Revenue as Chairman
2. Director of Agriculture
3. Registrar of Cooperative Societies
4. Director of Industries
5. Chief Engineer (Irrigation—Major and Minor)
6. Commissioner of *Panchayati Raj*

The Chairman of the Board will be designated as Development Commissioner and he will be in overall charge of the entire programme.

Annexure III

Second Report of the M. T. Raju Committee

At the recent Collectors' conference held from 12th to 14th April 1967, the question of reorganising district administration with a view to seeing that there would be a single authority charged with the responsibility of securing economic growth of the district was discussed. A committee was constituted to examine what changes in the administrative set-up would be necessary for this purpose and the report of the committee was also considered by the Collector's conference. The Chief Minister desired that the various implications of the proposals made by the committee, as also any changes in the existing rules and regulations that would be necessary for implementing them should be considered in detail by the same committee and that Dr. D. Narasimha Reddy, Chairman, *Zilla Parishad*, Cuddapah and Sri J. Chokka Rao, Chairman, Telangana Regional Committee should also be requested to serve on the Committee for the purpose. Accordingly, the committee met again on April 26, 1967. The committee, after a detailed discussion of the various issues involved as well as the recommendations made earlier to the Collectors' conference, submits the following recommendations.

I. 1. Seeing firstly that the *Zilla Parishad* is charged under the Andhra Pradesh *Panchayat Samithis* and *Zilla Parishads* Act 1959, with the responsibility of co-ordination and consolidation of the Plans prepared in respect of the Blocks in the district and preparation of Plans in respect of the entire district and secondly that the *Zilla Parishad* is best constituted to generate popular zeal and effort necessary for the successful implementation of the district plan, the Committee considers that the responsibility for promoting the economic growth of the district should be shared by the *Zilla Parishad* with the Collector.

2. The Committee accordingly recommends that for each district a *Zilla* Development Board consisting of the following three members shall be constituted :

(1) District Collector ...Chairman

(2) Chairman, *Zilla Parishad*

(3) Vice-Chairman, *Zilla Parishad.*

For the present the Secretary, *Zilla Parishad* will serve as Secretary of the Board.

3. The Board shall be responsible for the economic growth of the district. It will be the task of the Board to formulate and implement programmes, designed to secure the economic growth of the district and, in particular, programmes connected with agricultural and industrial production. The programmes will include Irrigation, Power, Animal Husbandry, Fisheries, Cooperation and Marketing.

II. Formation of the District Plan

1. The Heads of departments concerned with schemes bearing on agricultural and industrial production shall, within fifteen days of the budget allotments being made for them, furnish to the Collector of each district a list of schemes—both Plan and non-Plan, intended to be taken up in that district during the year. The district Heads of departments will simultaneously furnish to the Collector their proposals for utilisation of the growth potential available within the district for which no budgetary provision as such is necessary. The *Panchayat Samithis* shall also simultaneously furnish to the Collector, Plans pertaining to agricultural and industrial production which are to be financed from their own funds. The Collector shall thereupon convene a meeting of the *Zilla* Development Board to which the district Heads of departments concerned shall also be invited. The Board will examine the production potentialities of each of these schemes and fix targets of production which are to be achieved under these schemes during the year. The Board will thus prepare a draft of integrated agricultural and industrial production plan for the year, calculated to secure maximum production with the available resources (referred to as District Plan hereafter). For this purpose, the Board shall have powers to reallocate the budgetary provisions under the same head, exercising the power of a Head of Department.

2. The draft plan so prepared shall be placed before the *Zilla Parishad* for its approval.

3. Any new schemes of economic growth formulated by any department shall contain an estimate of :

(1) Additional production of agricultural and industrial goods as the case may be ;

(2) Time schedule for the execution of the schemes ; and

(3) The period within which the anticipated additional production will materialise.

Every such scheme shall be referred to the *Zilla* Development Board which will examine the estimate aforesaid of the additional production envisaged and the anticipated period of its materialisation. Only in the light of the commitment that the Board will undertake in regard to the prospects of additional production will the accord of sanction of such schemes be considered.

III. Implementation

1. It shall be the responsibility of the *Zilla* Development Board to implement the plan and achieve the targets envisaged under it. The Board shall meet once a month and oftener as may be necessary to review the progress of implementation of the District Plan in the light of the inspection reports submitted by the district Officers and Revenue Divisional Officers (vide IV-C). The Board will report to the State Board of Development proposed to be constituted, every quarter the progress of the execution of the Plan, marking copies of relevant extracts to the concerned Heads of departments. The progress report will also be laid before the *Zilla Parishad.* At the end of the year, the *Zilla* Development Board shall submit a report to the State Board indicating the economic growth achieved and explaining the short-falls, if any, and the reasons therefor. The State Board will submit an annual report to Government, reviewing the economic growth achieved in each of the districts.

IV. Administrative Changes

In order to ensure efficient implementation of the integrated district Plans, the following changes in the district administration are recommended :

A. District level : The basic departments which are to participate in the programmes of economic growth are :

(1) Agriculture
(2) Irrigation
(3) Cooperation
(4) *Panchayati Raj*
(5) Industries

The Collector will be the head of each of these departments for the district, except Irrigation. He will exercise all the administrative powers of the Registrar of Cooperative Societies, Director of Agriculture, Commissioner of *Panchayati Raj* and Director of Industries within his district. For this purpose, the administrative powers of these Heads of departments, statutory as well as non-statutory, will be delegated to the Collector. Where there is more than one district Head of a department, one of them may function as a P.A. to the Collector for that department. In respect of Agriculture, however, the Committee feels that where there is at present only one District Agricultural Officer, it will be necessary to have another so that the Agricultural Development work could be intensified. Ultimately, the question of having one Deputy Director of Agriculture for each district may also have to be considered.

In the case of Irrigation, the Executive Engineer (Irrigation) shall be under the administrative control of the Collector (*a*) in respect of the execution of sanctioned works included in the District Plan, and (*b*) in respect of items which are within the competence of the Executive Engineer and for which the concurrence of the Collector is required under existing orders.

As regards other district Heads, they shall carry out such directions as may be issued by the Collector from time to time

in regard to the implementation of the schemes included in the District Plan.

In order that the Collector may devote all his attention entirely to the aforesaid development work, it will be necessary to relieve him of most of the Revenue and Civil Supplies work. For this purpose, a District Revenue Officer shall be appointed for each district. The District Revenue Officer will be a senior scale I.A.S. Officer and he will work under the direct control of the Collector.

B. *Parishad and Samithi level :* Of the various fields of activity undertaken by the *Zilla Parishad* and the *Panchayat Samithis*, those relating to Education, Communications and amenities programmes like Health and Social Welfare account for most of their budget provisions. These subject fall outside the purview of the *Zilla* Development Board. The only schemes which fall within the purview of the District Plan will be schemes relating to agricultural and industrial production. Even these will continue to be administered by them in the same manner as hithertofore. The *Zilla* Development Board will be concerned with these schemes only for the purpose of securing their integration in the District Plan and for their implementation according to the time schedule. The *Zilla Parishad* and the *Panchayat Samithis* will be responsible for implementation of the schemes included in the District Plan falling within their purview.

C. *Divisional level :* The Revenue Divisional Officer will be responsible for the supervision and effective implementation of the District Plan in respect of schemes included in the Plan which fall within his Division. He should make frequent field inspections, locate bottle-necks and see that action is taken for these being removed. He shall send inspection reports to the Collector so that the *Zilla* Development Board may be apprised of the progress of schemes. In order that the Revenue Divisional Officer may be able to discharge these functions, he shall exercise administrative control over the Block Development Officers and the Block staff of the *Panchayat Samithis* within his jurisdiction. For this purpose, the disciplinary powers of the

Collector under the existing rules should be delegated to the Revenue Divisional Officer. The Revenue Divisional Officer shall attend the meetings of the *Panchayat Samithis* and staff meetings of the Blocks in his jurisdiction. The district Heads will furnish to the Revenue Divisional Officer from time to time their notes of inspection of the work of their field staff in relation to their schemes within his division.

D. *Village and Firka level :* The question of integration of the revenue establishment with the *Panchayat* at the village level can be considered only when the new land revenue pattern is known. Only as and when the revenue establishment and the *Panchayat* are integrated at the village level, can the question of integration of the posts of Revenue Inspector and Village Level Workers at the *firka* level appropriately be considered.

The Committee would, however, like to state that in its view, the *Panchayat* should be the instrument of development at the village level and, for this purpose, its revenues must be augmented. One way of doing this would be to make over to the *Panchayats* the land tax as apart from water rate keeping the water rate with the Government. In such a case, there could be one Executive Officer at the village level who would be borne on the establishment of the District Collectorate and would be an agent of the Government at the village level for the levy and collection of taxes ; he would also be the Secretary of the *Panchayat* and function under the *Panchayat* for this purpose. The number of *Panchayats* could be reduced substantially by the merger of neighbouring villages within a convenient radius such as three miles, so that they may become financially viable.

E. *State level :* At the State level, the Heads of departments concerned with agricultural and industrial plans, that is the Director of Agriculture, Registrar of Co-operative Societies and the Director of Industries will also function as *ex officio* Secretaries. Since as proposed above the powers of the Heads of departments are being delegated to the Collectors, the work load of these Heads of departments will be

reduced and thereby their functioning as *ex officio* Secretaries to Government will be facilitated. Their function will be one of general superintendence and control in so far as their work in the district is concerned. All specialist agencies with a State-wise jurisdiction will, however, be attached to their Directorates at the Headquarters. The District Collectors who will function as Heads of these departments in the district will then function in respect of the concerned programmes under the general direction and supervision of these State Heads of Departments who would be exercising the powers of Government by virtue of their *ex officio* status.

These proposals will involve a complete re-organisation of these departments and a separate Committee, consisting of the Heads of departments concerned and select Collectors should be constituted to study the details of the set-up and recommend necessary measures for giving effect to these recommendations.

There shall be a Development Board at the State level constituted as follows :

1.	Chief Secretary and Development Commissioner	*Chairman*
2.	Member, Board of Revenue and Commissioner for Irrigation and Ayacut Development	*Vice-Chairman*
3.	Secretary (Public Works)	*Member*
4.	Secretary (Food and Agriculture)	,,
5.	Secretary and Commissioner (*Panchayati Raj*)	,,
6.	Director of Agriculture and *ex officio* Secretary	,,
7.	Registrar of Co-operative Societies and *ex officio* Secretary	,,
8.	Director of Industries and *ex officio* Secretary	,,

9. Chief Engineer (General) ,,

10. Secretary (Planning) *Member-Secretary*

The State Development Board will be responsible for supervising the proper implementation of the District Plans. It will also review the progress of the various District Plans. The members will tour intensively in the districts and inspect as many works as possible. The Board itself could meet in different districts by turns.

The State Development Board will be responsible not merely for the District Plans but also for other Plan schemes related to agricultural and industrial production.

REVIVAL OF THE KORBA FERTILIZER PROJECT

W. S. TAMBE

This case study relates to the efforts made by the Madhya Pradesh Government for the revival of the Nitrogenous Fertiliser Project at Korba (District Bilaspur, Eastern M.P.), which had been taken in hand by the Fertilizer Corporation of India in 1963 and dropped in 1965.

The State Government were keen to revive the project. They had initially to persuade the Government of India to re-examine the techno-economic feasibility of the project and, thereafter, to negotiate with the Fertiliser Corporation of India, regarding various facilities and concessions for its establishment.

While the story of the Korba Project is a long one, beginning with the initial selection of the location in 1963, its being dropped by 1965 and the State Government's efforts to have the project revived for implementation, the focus of the present study is on the last phase.

In 1960, the fertiliser technical committee set up by the Government of India recommended that a factory for the production of nitrogenous fertiliser (50,000 tonnes of nitrogen per annum equivalent) may be set up at Itarsi, which is an important railway junction in Central Madhya Pradesh. The choice of Itarsi was made after comparing its merits and demerits with two other important communication centres in Madhya Pradesh, *viz.*, Katni (in North-Eastern Madhya Pradesh) and Ujjain (in Western Madhya Pradesh). In that year, the Union Minister for Commerce and Industry assured the Chief Minister of the State that the establishment of a fertiliser Plant in Madhya Pradesh was a certainty.

The Government of India issued an Industrial Licence to a private company of New Delhi to establish this Plant. The company did not make any substantial progress in the implementation of this project and ultimately, in June 1962, their Industrial Licence was cancelled by the Government of India (by the Ministry of Steel and Heavy Industry). The State Government immediately pressed the Government of India to take up this project in the Public Sector. In August 1962, the State Government was informed that a decision to set up a fertiliser project in the Public Sector had been taken and the Fertiliser Corporation of India (FCI) were being entrusted with the execution of the project.

In September, 1962, the Fertiliser Corporation of India informed the State Government that they were planning to set up a fertiliser project with an annual capacity of 220,000 tonnes of urea (*i.e.* 100,000 tonnes nitrogen equivalent), and requested the State Government to arrange for a tour by a technical study team for the selection of suitable sites within the State. The main factors listed as criteria for the selection of a suitable site were :

(*i*) Proximity of coal ;

(*ii*) Proximity of trunk railway routes for facility of distribution ;

(*iii*) Availability of adequate water ;

(*iv*) Availability of electric power ;

(*v*) Availability of labour and suitable land.

It was indicated that the project was intended to go into production in early 1966.

A team of FCI visited Itarsi, Katni and Ujjain (the three sites, earlier recommended by the fertiliser technical committee of the Government of India) and after obtaining the necessary data relating to site, raw material and basic facilities, FCI in November 1962 indicated that Katni was the most suitable site.

On December 4, 1962, the Project Officer of FCI informed the Secretary of the State Planning and Development Department (which was then the State Department dealing with this project) "The Ministry of Fuel and Mines of the Government of India have suggested that we may, in addition to the sites already visited, examine the possibility of a suitable site near Kota, District Shahdol where the National Coal Development Corporation (NCDC) are proposing to open up new mines shortly." This site was examined by FCI in 1962. Subsequently, FCI technical teams also visited Bisrampur (District Surguja) and Korba (District Bilaspur) where NCDC had opened up other new coal mines and finally on June 6, 1963, at a meeting, presided over by the Secretary, Union Ministry of Mines and Fuel, New Delhi, the choice of Korba was finalised. This meeting was attended by the representatives of the various Ministries of the Union Government and representatives of FCI and NCDC ; (no representative of the State Government was invited). The considerations which led to this choice can best be assessed by the extract of the record note[1] of the meeting, reproduced below:

"Initiating the discussions, the Managing Director, FCI appreciated the suggestion which had been given to him in the meeting held in the Ministry on March 4, 1963, in which it was suggested that the factory might be located at Korba. FCI had conducted a survey of the various sites, *viz.*, Korba, Bisrampur and Katni. For the reasons mentioned in the MD's letter of May 16, 1963, the site at Korba was suggested. The representative of the Railways suggested that, from the distribution point of view, the site at Katni might be preferable. In view, however, of the availability of coal, power and water, the site at Korba was favoured.

"With regard to coal, NCDC representative stated that it would be possible to meet the requirements of coal by

[1]This note was subsequently received by the State Government.

working mines in the area, called Ghordewa. Prospecting had been carried out in that area and the proved reserves were :

(i)	16 milllon tonnes with ash		15—17%
(ii)	20 „	„ „ „	18—24%
(iii)	44 „	„ „ „	25—30%

After some discussions, it was agreed that : NCDC would supply grade I coal with ash content of 17—19% (seam analysis 15—17% ash content, as indicated above) for processing purposes in the factory. It was indicated that this would be as good as the one which FCI had expected from the Banki-Sorkachhar area."

It may be mentioned here that the Ghordewa area mentioned by NCDC is on the eastern bank of the Hasdo river at Korba, while the Banki-Sorkachhar area is on the western bank of the Hasdo, opposite Korba. Both the areas are parts of the same coal field.

On the basis of this decision, FCI commenced preliminary work at the project site, regarding acquisition of land, arrangement of water supply, and power supply. Project staff was also stationed at the site and, for a while, the Project seemed well on its way. In November 1964, however, the State Director, Geology and Mining had some disturbing information. He reported to the Secretary, Natural Resources Department that NCDC had shelved the Rajgamar Colliery Project[2] which was to supply coal for the proposed fertiliser plant and this had created a measure of uncertainty, regarding the economic feasibility of the project. Soon thereafter, the Collector, Bilaspur (who incidentally had been Deputy Secretary of the State P and D Department for the previous two years and was closely associated with the project on behalf of the State Government) had a similar report to make. He intimated that Rajgamar coal had been found to be very inferior and, owing to the then prevalent glut in the coal

[2]In the Ghordewa area.

market, NCDC was not interested in opening up new fields. The Collector mentioned that NCDC was prepared to supply good quality coal from the already developed Banki-Sorkachhar fields on the west bank of the Hasdo, but this involved a lead of 12 miles from the project site and would adversely affect the economics of the project. In addition, the Collector referred to a revision in the thinking of the Government of India which was veering towards naphtha-based fertiliser plants.[3] He intimated that the work on the project had nearly come to a standstill and the project authorities had been retrenching some of the construction staff. He followed it up with another letter on January 30, 1965 to the Secretary, State P & D Department, in which he suggested that the project on which a crore of rupees had already been spent by FCI could still be salvaged, if the site were shifted to the west bank of the Hasdo river to utilise Banki-Sorkachhar coals.

The State Government had no independent knowledge of this development, but it took serious notice of these disquieting reports and the Chief Minister of the State addressed a letter to the Union Minister for Industry on February 7, 1965, indicating the vital interest of the State in the project and suggesting its shifting to the west bank of the Hasdo. He followed up this letter with a personal discussion with the Union Minister for Industry at Delhi on February 12, 1965. On the same day, the Union Minister informed him by letter that the apprehensions of the Chief Minister were not well founded.

A little before this, however, the State Minister for Industries had met the Union Minister for Petroleum and Chemicals, the Minister concerned with the project, who informed him that the project was being dropped and the Minister for Industries, therefore, suggested that the Chief Minister should address letters to the Deputy Chairman, Planning Commission, the Finance Minister and the Union Minister for Petroleum &

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[3]M. P. has no oil resources nor any refineries based on imported crudes. The location of a naphtha-based fertiliser plant in M. P. was, therefore, practically ruled out.

Chemicals to press for the implementation of this project. These letters were issued by the State Chief Minister on March 23, 1965, but in the meanwhile, the State Liaison Officer at New Delhi informed the State Government that the Union Minister for Petroleum and Chemicals in a letter addressed to one of the State M. Ps. had already informed him that "one difficulty in its (Korba Project) implementation is that the cost of the production of fertilisers under this project is appreciably higher than the fertilisers, produced by use of naphtha."

By this time, naphtha had become recognised as a good substitute for coal as feed-stock for the production of nitrogenous fertilisers. It may be worth while to mention here that all nitrogenous fertilisers are basically derived from ammonia, which is produced by the synthesis of hydrogen and nitrogen. Hydrogen required can be derived from a wide variety of feed-stocks such as natural gas, naphtha, fuel oil, coke-oven gas, coal, lignite, etc. The synthetic nitrogenous industry initially was based on coke-oven gases and coal but throughout the world, during the past 10-15 years, technological advances had led to the increasing use of naphtha or natural gas as preferred feed-stocks. The reasons for this shift were :

(*i*) Lower investment-output ratio. It has been estimated that the investment-output ratio for natural gas, naphtha and coal amount to Rs. 3.15 lakhs, Rs. 3.23 lakhs and Rs. 4.18 lakhs per tonne/day. The main reason for the higher ratio in the case of coal is the fact that derivation of hydrogen from coal is a more cumbersome and elaborate process, requiring more complicated equipment, and hence more capital outlay.

(*ii*) The increased availability of naphtha in the world market due to the very rapid increase in petroleum-refining, naphtha being a bye-product of such refining.

(*iii*) The economies, which became available in the case of naphtha-based plants, due to the concentration of the

technological know-how and skill in the improvement of naphtha-based processes.

Up to the III Plan period, refineries, which had been established in India in the previous 15 years, were producing naphtha in surplus of the indigenous requirements, and the price of naphtha in India was based at a rate, lower than the then prevalent international price.

It was in these circumstances that the balance tilted at that stage in favour of naphtha *vis-a-vis* coal.

Efforts to secure the implementation of this project were further continued by the State Government, but ultimately on July 16, 1965 the Union Government informed FCI that "the Government of India have carefully considered your proposals to set up a coal-based fertiliser factory at Korba, in consultation with the Planning Commission. It has been decided to drop the proposal for the present for the following reasons : Firstly, in view of the development of the new naphtha technology in the last few years, it is not considered advisable to burden the economy with a unit, based on outdated technology with a significantly higher cost of production, and secondly, the prospects of securing foreign exchange for this project from aid-giving institutions are not very bright."

"However, the question of setting up a factory in Madhya Pradesh can be considered at a later stage, when it becomes necessary to expand the fertiliser capacity beyond 2.2 million tonnes, the target, presently fixed for the IV Five Year Plan and to search for suitable sites and feed-stock for the purposes."

In an answer to a question in the Lok Sabha on August 8, 1965, the Union Minister of State for Petroleum and Chemicals answered that "it has been decided to drop the proposal."

In answer to the supplementaries to this question, the Union Minister for Petroleum and Chemicals, however, indicated that the matter could be re-examined after a capacity of two million tonnes of fertilisers had been achieved. He stated that,

by that stage, FCI had spent 60-70 lakhs of rupees on the site preparation.

The State Government viewed the decision to drop the Korba Project with serious concern. They immediately began efforts to persuade the Union Government to reconsider the whole issue. The State Government realised that this decision had shut out for ever consideration of any other coal-based fertiliser plants in the future. This was a matter of grave concern to them. The State had more than six thousand million tonnes of coal deposits ; on the other hand, being a land-locked State, it could not expect to have a refinery, based on imported crudes nor did its geology hold out any hope of petroleum finds within the State. The coal-deposits being non-metallurgical were being used for combustion and power generation. The demand for such uses could not be expected to rise very significantly and the State Government was, therefore, very keen to find new uses for these extensive coal deposits. Coal-based nitrogenous fertilisers afforded one such avenue and the State Government was, therefore, seriously concerned.

The main arguments advanced by the State for the revival were :

(*a*) Coal was an indigenous raw material while naphtha was essentially an imported raw material, since the greater percentage of naphtha produced within the country was a bye-product of the refining of imported crudes. From the national security point of view also, an excessive dependence on imported raw material for the production of a basic commodity like fertilisers was undesirable.

(*b*) It could not be generallv said that naphtha-based fertiliser plants were cheaper. Both the raw material assembly costs and the distribution costs had to be taken into account and, viewed in this context, in a State like Madhya Pradesh which had abundant coal resources but no oil refineries, the demand for nitrogenous fertilisers could be economically met by a coal-based fertiliser plant.

(*c*) In view of the rising demand for fertilisers within the State, which was surplus in food grains, the establishment of a fertiliser plant in the State was absolutely necessary.

These views were pressed by the State Government both in official communications and, indirectly, by the briefings of the State MPs who, in turn, took up the matter with the Union Ministers concerned, both inside and outside the Parliament. The Liaison Officer of the State at Delhi played an important role in the briefing of the MPs.

At the same time, the State also made efforts to examine the possibility of basing nitrogenous fertiliser plants within the State, on alternate feed-stocks such as naphtha and coke-oven bye-product gases. It attempted to persuade the Union Government to construct a branch of the Barauni-Mirzapur Oil Pipeline to a point within the State to get naphtha supplies, while the possibility of utilising surplus bye-product coke-oven gases from the Bhilai Steel Plant was also explored. These efforts were, however, inconclusive.

In such attempts, a great handicap faced by the State Government was the paucity of techno-economic know-how within the State. The Directorates of Industries and Geology and Mining, which were the two Departments within the State who could advise the State Government on these matters, were really not equipped with technically qualified and competent persons, who could independently prepare a detailed case in support of the arguments of the State Government. The Directorate of Geology & Mining was manned by geologists who had very little industrial or technological experience and knowledge. The Directorate of Industries had a few chemical engineers, but they had no experience or technological knowledge of fertiliser production nor had they access to the latest statistical and cost data of the alternate processes involved. Because of this shortcoming, the State Government could only press its views in a broad qualitative manner : it was unable to quantify the benefits in favour of the coal-based plant.

In June, 1966, the rupee was devalued. This gave the State Government a new ground to press its claim. The price of naphtha had to be revised upward and it was felt that this would help in tilting the balance in favour of coal-based plants.

Around this time, the introduction of high-yielding varieties of rice, wheat, maize and other crops and the urgency lent to the problem of increasing food production by the droughts of 1965 and 1966 had also led to a sharp upward revision of future projections of fertiliser consumption and in the beginning of 1967, some indications[4] were available to the State Government Officers, that there was a growing apprehension in the minds of the Government of India officials about the continued availability of naphtha for the anticipated increase in fertiliser requirements beyond 1971-72 (See Appendix). The State Government was not at that stage fully aware of the quantitative implications of these trends, but these factors certainly helped in the reopening of the question.

Finally, in an answer to a Lok Sabha question, the Union Minister of State for Petroleum & Chemicals informed the Lok Sabha on May 25, 1967 that "the Fertiliser Corporation of India has been asked to revise the earlier report for Korba Project on the basis of 600 tonnes of ammonia and 1000 tonnes of urea per day. The company has also been asked to take into consideration the advantages of slightly shifting the location in Korba. The report is awaited."

FCI commenced its studies and on May 27, 1967, the General Manager, Planning & Development Division, FCI addressed a letter to the State Government, wherein he indicated that revised studies were in progress on the following basis :

(1) That the plant would be of a much larger capacity than originally envisaged and would be based on steam-intensive process schemes.

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[4]The State Government became aware of this development indirectly through certain articles published in technical journals and, by informal discussions, which some of the State Government officers had from time to time with the officials of the Union Government.

(2) That the plant location will be shifted to a new site on the other side (west bank) of the Hasdo river, instead of the earlier site. He indicated therein that one of the factors which had not decisively favoured the installation of a coal-based fertiliser plant was the power tariff. A request was, therefore, specifically made that the State Government should consider the supply of power at favourable tariffs. A request for the supply of site data (enclosing a questionnaire) was also made.

By this time, the subject of Public Sector projects had been transferred to the State Commerce and Industry Department and, in view of the past vicissitudes, the State Government was most anxious that the questionnaire should be fully and promptly answered. A Special Officer from the Directorate of Industries was deputed to visit the site and collect the necessary data (which was mainly concerned with the availability of the basic facilities such as power, water, land, etc.). FCI had indicated that the revised Project Report may require about 18 million gallons of water per day, but during his visit to Korba, the Special Officer of the Directorate of Industries found that the water resources available at Korba from the Darri Barrage, constructed on the Hasdo river had been fully committed, in the meanwhile, to the power station and the proposed Aluminium Project at Korba.

This was very disquieting. The State Government could not afford to jeopardise the chances of the Project for the lack of a definitive answer to this point. At the same time, the investigation of a new site for water supply was normally expected to take months of survey and investigation, for which there was no time.

The Director of Industries and the Deputy Secretary of the Commerce & Industry Department who was dealing with the subject, therefore, decided to take up the matter personally with the State Chief Engineer (Irrigation). At a meeting held on July 29, 1967, they acquainted him with the urgency of the matter and persuaded him to make a very rapid assessment of the possibilities on the basis of available data and a study of

the topo sheets. Within a few days, the Chief Engineer (Irrigation) indicated that three alternate arrangements could be made to overcome this problem, the preferred alternative being the construction of a new reservoir on the Kholar Nala upstream of the proposed plant site at a cost of Rs. 2.15 crores.

On August 14, 1967 the Additional Chief Engineer of FCI visited Bhopal to discuss matters at a personal level with representatives of the State Government. He was informed of the possibilities available for water supply arrangements and a discussion was arranged with the representatives of the State Electricity Board for negotiations, regarding power rates. The Additional Chief Engineer, FCI emphasised the need for the supply of power at a very favourable tariff rate and also made a request for several other substantial concessions. The Secretary of the State Commerce and Industry Department requested him to make a formal reference to the State Government, regarding the various concessions desired by FCI; at the same time, the Secretary got in touch with the Chairman of the M. P. Electricity Board on the telephone and requested him for a most favourable consideration of tariff rates for the proposed project.

During the discussions with the Additional Chief Engineer of FCI, the State Government Officers became aware that the Planning and Development Division of FCI was itself a strong proponent of coal-based fertiliser plants in India and they were as keen as the State Government for revival of the project. The discussion with the Additional Chief Engineer and the data supplied by him was of great use to the State Government in the subsequent processing of the case.

The members of the State Electricity Board were aware of the importance attached by the State Government to this project and as a result, after their discussions with the Additional Chief Engineer, the M. P. Electricity Board undertook to offer a tariff which was roughly equivalent to 5.7 paise per unit (as compared to a tariff of approximately 8 paise per unit for other power-intensive industries and of approximately 11 paise per unit for

other large scale industries). The State Government thought it had overcome the two major problems, one regarding a favourable power tariff and the other regarding arrangements of water supply within a period of 4 months from the first communication of FCI, regarding the revision of the project.

On October 18, 1967, in pursuance of the earlier visit of the Additional Chief Engineer of FCI, the General Manager, Planning & Development Division, FCI addressed a letter to the State Government, stating therein that :

> "As has been pointed out, two factors become significant in the consideration of the Korba fertiliser project : (a) the need for basing fertiliser production on indigenous feed-stocks and (b) the non-availability of any other feed-stock in the large State of Madhya Pradesh for fertiliser production. The setting up of a coal-based fertiliser project in Madhya Pradesh is, therefore, of economic significance to the State. However, the initial investment per ton of ammonia is significantly higher for coal-based plants as compared to plants based on other feed-stocks. It becomes, therefore, essential to ensure economies in investment and to obtain the various inputs at as favourable a price as possible to make the coal-based project economically viable. We are, therefore, glad that the various officials of the State Government have assured us of all possible assistance towards making the coal-based fertiliser project in M. P. economically feasible. During the discussions it was agreed that to avoid delay, the report would be prepared on the assumption that all facilities normally made available by the M. P. Government to new industries would be extended to the Korba Fertiliser Project. We are addressing this letter to you, seeking favourable consideration of the M. P. Government on the various facilities that would be required for the above purpose."

With these prefacing remarks, the following facilities and concessions were asked for :

(*i*) Exemption from the levy of electricity duty on the power consumed by the proposed unit.

(*ii*) Exemption from the demand of royalty on the coal, which will be consumed by the fertiliser plant.

(*iii*) Arrangements for the provision of water supply to the proposed fertiliser plant at a reasonable rate.

(*iv*) Extension of concessions, regarding sales-tax granted to new industries.

The facilities and concessions desired by FCI had substantial financial implications and had to be processed in consultation with several Departments of the State. The Administrative Department had also initially to formulate its own views, regarding the advisability and the need for the grant of such facililities and concessions.

In the meanwhile, it was learnt that the Union Minister for Petroleum and Chemicals, who was also the Minister for Social Welfare was to visit Bhopal (the State Headquarters) in some other connection on November 6, 1967, and it was considered that advantage could be taken of this opportunity to press for an early preparation of the Project Report.

During the visit of the Union Minister, the State Chief Minister and the other concerned Ministers raised this matter with the Union Minister, but at that stage, the Union Minister only suggested that the State Government may depute one of their officers to the P & D Division of FCI at Sindri to expedite matters.

When the Deputy Secretary, C & I Department, M.P. Government went to Sindri and met the General Manager, Planning & Development Division, FCI, and the Additional Chief Engineer at Sindri, he found that a preliminary Project Report for a revised coal-based fertiliser project had been prepared by FCI and copies thereof had already reached the Union Ministry for Petroleum and Chemicals, where it was under informal scrutiny. The revised Project Report envisaged the production of 1500 tonnes of urea per day. He got an

opportunity to gather the salient features of the findings and learnt with some satisfaction that the economics of the project compared quite favourably with the economics of the naphtha-based fertiliser project, being set up Kanpur in Uttar Pradesh. He found that the General Manager of the Planning & Development Division of FCI was fully convinced that coal-based fertilisers had a definite place in the growth of the fertiliser industry in India and had in fact, time and again, stressed this point in various articles and communications. The Deputy Secretary was particularly impressed by the fact that FCI had the expertise and the economic data to support the stand of the State Government.

The Deputy Secretary also took the opportunity to assess the extent to which the facilities and concessions requested by FCI were of critical significance for the successful posing of the project to the Government of India for the necessary investment decisions.

He felt that the grant of an exemption from electricity duty for the project was inevitably necessary and he also considered that the grant of sales-tax concessions requested would pose no problem in as much as they were mere extensions of the facilities, being generally given to new industries.

Regarding the water supply arrangements, he found that the main anxiety of FCI was to ensure that the capital costs of these arrangements should be borne by the State Government and not form a part of the project cost ; as regards the rate of water supply, he was satisfied that FCI may agree to a rate of even 25 to 30 paise per 1000 gallons as against 8 paise per 1000 gallons, assumed in the Project Report, since this would not make a significant contribution to the production costs.

The last, and from the point of view of the State Government, the most ticklish problem was regarding the grant of exemption of royalty on the coal. Being a mineral right State, with a number of mineral-based Public Sector Projects in being and in prospect, the grant of such a concession in the

present instance might lead to a similar demand by other projects. The annual implications *per se* were only Rs. 12.00 lakhs, but a very vital principle was involved. He pressed this point and was satisfied from his discussions that the State Government could adopt a firm attitude in this matter, without jeopardising the acceptance of the project by the Central Government.

On return from Sindri, the Deputy Secretary acquainted the Secretary, C. & I. Dept. with the results of the visit and started drafting formal proposals of the Department.

Meanwhile, the Chief Minister and other officials of the State Government were required to visit Delhi in connection with the Plan discussions and, at Delhi, the C. & I. Dept. arranged to circulate a note to the State M. Ps, regarding the progress made upto that stage for the revival of the Project. The State Chief Minister also addressed a letter to the Union Minister, pressing for an early favourable decision on the revised proposals of FCI. Use was made in this letter of the techno-economic data, collected by the Deputy Secretary during his visit to Sindri.

On December 5, 1967, the Deputy Secretary drew up the formal note, about the various facilities and concessions requested by FCI. The salient points of his note were :—

(*i*) As regards the grant of exemption from levy of electricity duty, it was pointed out that, at the power rates offered by the M. P. E. B. to the project, the annual power costs of the project would be approximately Rs. 1.80 crores while the cost of the other main raw material *i. e.* coal would be about Rs. 2.40 crores. Power costs would thus form a substantial part of the direct production costs and the project should, therefore, be treated as a power-intensive project, and since it had been the policy of the State Government as also of other State Governments to grant an exemption from the levy of electricity duty to power-intensive industries, the present case appeared to be a fit one for the grant of a similar exemption.

This implied a prospective annual loss of revenue of Rs. 32 lakhs but was justifiable.

(*ii*) Regarding the exemption from the demand of royalty on the coal consumed by the project, a rejection of this request was recommended (in view of the broader adverse implications).

(*iii*) Regarding the arrangements for the provision of water supply, the need for the State Government to bear the capital costs, so as not to inflate the project costs, was brought out. It was mentioned that a feasible project on the Kholar Nala costing Rs. 2.25 crores had already been identified by the Chief Engineer, Irrigation, and if the State could not make the necessary provision for the project from the Plan Budget, perhaps, a loan from the Central Government could be arranged.

(*iv*) As regards the rate of water supply, it was indicated that a rate of 25 to 30 paise per 1000 gallons (which would, under the most conservative estimates, ensure a return of 6 per cent on the capital costs) would be acceptable to FCI. It was accordingly suggested that :

(*a*) An assurance in principle may be given to FCI that the State Government would make necessary arrangements to provide the required quantities of water to the project at reasonable cost, and

(*b*) Immediate action should be initiated to complete the detailed survey of the project on the Kholar Nala (or of other alternative possibilities) so that a request could be made to the Government of India for provision of loan assistance, outside the normal State Plan provision for making necessary arrangements for water supply.

(*v*) Regarding sales-tax, it was pointed out that no new decision by the State Government was necessary and FCI could be directly informed that the concession

available to other new industries would also be available to the proposed fertiliser project.

This note was approved by the Secretary of the Department on the same day, by the Minister for Industries on December 12, 1967 and by the Chief Minister on December 13, 1967. Thereafter, to expedite matters, extract copies of the notes were circulated to the Irrigation Department (for their views on the water supply arrangements proposed) and the Electricity Department (for their views on the grant of exemption from electricity duty).

While these notes were under consideration of the respective Departments, a letter was received from the Union Minister for Petroleum and Chemicals that :

"The position on the establishment of a fertiliser factory at Korba based on coal is as follows :

(*i*) A feasibility report has recently been received from FCI and is under consideration of this Ministry.

(*ii*) The Board of Directors of FCI on December 7, 1967 have considered this proposal and have appointed a sub-committee to go into the feasibility study in greater detail with particular reference to the water supply, electric power tariff, delivery cost of coal, electricity duty, royalty on coal, etc.

"The Chairman and Managing Director of FCI will, it is understood, be contacting the State Government with regard to certain assurances, and facilities, as regards water supply, electricity, etc., required to make the project viable. On receipt of his report, the matter will be further considered by the Government."

On December 27, 1967, the Additional Chief Engineer, FCI, visited Bhopal and informed the officers of the State Government that the General Manager of the Planning and Development Division of FCI, who was heading the Sub-Committee appointed by the Board of Directors of FCI

would visit Bhopal on January 6, 1968 to discuss with the State Government the facilities, which would be made available to the project.

He suggested that it would be very useful, if the views of the State Government could be finally communicated to him at the meeting itself, as this would enable him to submit the final report to the Board of Directors, which was meeting next on January 25, 1968. Another significant point brought out by him was that a similar coal-based project in a neighbouring State (which had also been considered earlier and deferred in view of the shift in favour of naphtha-based plants) was also being re-examined and the Sub-Committee appointed by the Board of Directors of FCI had been asked to go into the techno-economic feasibility of this other project and determine the *inter se* priority between the Korba Project and this other project.

These developments were immediately brought to the notice of the Minister for Industries and the Chief Minister by the C & I Department. It was explained that while steps had already been initiated to process the request for various facilities and concessions, requested by FCI formally, it might not be possible to take a decision in the matter by the time the General Manager, P&D Division, FCI, visited Bhopal on January 6, 1968. It was, however, emphasised that it was necessary to arrange a meeting at the highest level and, at least, informally acquaint the General Manager with the thinking of the State Government on the various issues. The Chief Minister agreed to convene such a meeting.

The fact that the Sub-Committee of FCI was to determine the priorities between two projects, one in Madhya Pradesh and other in a neighbouring State was quite disturbing to the State Government. The Korba Project had gone through several turns of fortune, and the Secretary of C. & I. Department, was, therefore, most anxious to try and secure the formal decisions of the State Government by January 6, 1968. He, therefore, took up the matter at a personal level with the Secretary,who was in charge of both the Electricity and Irrigation Departments.

On December 30, 1967, the Electricity Department concurred with the views of the C & I Department, regarding the grant of exemption from the levy of electricity duty, subject to concurrence by the Finance Department.

In the Irrigation Department, the proposals were referred to the Chief Engineer, Irrigation. He confirmed the feasibility of the Kholar Nala Project and in fact, suggested that the water rates could be about 20 paise per 1000 gallons to ensure a 6 per cent return on the capital. His note was received by the Secretary, Irrigation on January 3, 1968 and, on the same day, he recommended that, subject to consultation with the Finance Department, the State Government should undertake to construct the Kholar Nala Reservior. He suggested that, as the amount involved was not very high, the construction of this project may not be made dependent on the availability of a loan from the Central Government, as this might delay the scheme. The Minister of the Irrigation Department concurred with these views. Thus, by the next day, the C & I Department was able to clear its proposals with the administrative departments concerned. But little time was left to obtain the concurrence of the Finance Department. The Secretary, C & I, therefore, asked his Deputy Secretary to take the case personally to the Finance Secretary (whom he had already informed of the urgency of the matter) and try to obtain the concurrence of the Finance Department. The Finance Secretary discussed the various issues with the Deputy Secretary. He was a little sceptical of the estimates for the Irrigation Department about the capital costs of the Kholar Nala Project, as such estimates normally tended to be substantially exceeded in execution. He, therefore, recommended that the water rates should be kept at the level of 30 paise per 1000 gallons. He was satisfied with the other proposals of the Administrative Department.

The Finance Secretary then went with the Deputy Secretary, C & I to the Finance Minister and, after explaining to him the various issues, drew up a note embodying the above views. The Finance Minister accorded his approval immediately.

On January 5, 1968, the C & I Department was, therefore, in

a position to circulate a note embodying the agreed views of the various Departments involved to the participants at the meeting fixed for January 6, 1968.

The General Manager, P & D Division, FCI arrived at Bhopal early on the sixth morning and the Deputy Secretary, C & I Department met him at the Circuit House at 8.30 a.m. and discussed the various issues which were likely to come up at the meeting with the Chief Minister which was fixed at 11.30 a.m. During the discussion, a new stipulation of FCI was brought out. FCI desired that the entire land for the project should be made available, free of cost by the State Government. The Deputy Secretary C & I pointed out that this issue had never been raised before, and at Korba, this concession was not very significant, since the land prices were not very high. The General Manager, FCI stated that other States had given this facility for the location of fertiliser projects and the Board of Directors of FCI was, therefore, of the view that a similar concession should be given by Madhya Pradesh. The Deputy Secretary also learnt that for the other project, being considered by the FCI Sub-Committee, a power rate of 5 paise per unit had been offered.

The Deputy Secretary C & I, thereafter, went to the Chief Minister's residence to brief him on the various issues involved and at this stage also brought to his notice the new demand for free land which was likely to be raised by FCI. The fact that the Sub-Committee was to decide the *inter se* priorities between the Korba project and the other project and its implications were discussed and in this context, the lower power rate offered by the other State was brought to the notice of the Chief Minister.

The formal meeting was attended by the Chief Minister, the Minister for Industries, the Minister for Natural Resources, the Minister for Finance, Chief Secretary and the concerned officers of the State Government and the General Manager, FCI.

The Chief Minister heard the point of view of FCI on the various issues. He made it clear that the request for an

exemption from the demand of royalty could not be considered. The question of water rates was discussed at length. The Finance Minister pressed for a water rate of around 25 paise per thousand gallons, while FCI pressed for a rate of 10 paise per thousand gallons, which was the rate for bulk supply to the Bhilai Steel Plant. The Chief Minister informally found out from his officers that this would mean the State foregoing Rs. 6 lakhs per annum and agreed to the rate of 10 paise per 1000 gallons for the first ten years. The request for free land was also conceded. He also informed the General Manager, FCI that the State Electricity Board would be asked to reconsider the power rate already offered.

At the end of the meeting, he called the Deputy Secretary, C & I and asked him to note the concessions to be offered. The Chief Minister directed that without waiting for the formal approval of the decisions by the Council of Ministers, a letter embodying the concessions granted should issue to FCI immediately. He asked the Secretary of the C & I Department immediately to get in touch with the Chairman of the State Electricity Board for a reconsideration of the power rates offered.

Within the next four days, a revised rate of 5.25 paise per unit was offered by the State Electricity Board for the project and on January 10, the Government sent a letter to the General Manager, FCI offering the following facilities and concessions :—

(*i*) The project will be exempt from the levy of electricity duty in respect of the electric power consumed by the project for a period of 10 years from the date the unit goes into production. (Such exemption will not be, however, available in respect of the electric power consumed in the township area, which is a very small fraction of the total consumption).

(*ii*) The State Government will make the necessary water supply arrangements for the project and make the requi-

site quantity of water (*i.e.* 18 million gallons per day) available from the date the unit goes into production.

The rate for raw water at site will be 10 paise per 1000 gallons for a period of 10 years from the date of commencement of production : after this period, the State Government will have the right to revise the rate, if deemed necessary.

(*iii*) Facilities and concessions, granted to new industries in respect of sales-tax by the State Government, will also be available to the Korba Fertiliser Project.

(*iv*) Land required for the fertiliser unit to the extent of 900 acres will be granted free of cost to the project ; if the site selected for the project included some private lands, the State Government will acquire such lands and make the same available to the project, free of cost. In selecting the site, FCI shall, however, to the extent possible, try to choose a site which will have the maximum proportion of Government lands.

(*v*) The State Government, however, regret their inability to agree to the request for a grant of exemption from the demand of royalty payable on the coal which will be consumed by the project."

On March 22, 1968, the General Manager P & D Division, FCI, and other technical experts of FCI visited Korba to have a final check of the facilities available at the site. During this visit, NCDC authorities raised an objection, regarding the construction of the Kholar Nala Reservoir on the grounds that the reservoir was likely to submerge some valuable coal deposits, and they, therefore, suggested alternate water supply arrangements.

F.C.I. brought these objections to the notice of the State Government and sought a re-affirmation from the State that one or the other of the alternate arrangements would be made and water supply to the project assured on the basis, agreed to earlier.

This difficulty had in fact been anticipated by the Deputy Secretary, C & I when the original proposals from the Chief Engineer, (Irrigation) regarding the construction of the Kholar Nala Reservoir were received. He was aware that the land around Korba was coal-bearing and he had informally consulted the State Director, Geology and Mining about his apprehension. At that stage, he was assured that the deposits likely to be submerged by the Kholar Nala Reservoir would not be of any great economic value and he did not, therefore, consider it necessary to allow this consideration to affect the decision of the State Government.

The Additional Director, Industries, Durg, who accompanied the FCI team to Korba on March 22 telegraphically communicated to the Deputy Secretary the anxiety of the General Manager, FCI for an early reassurance in the matter, as the General Manager had to submit the final report to the Board of Directors by April 15.

FCI stated that the National Coal Development Corporation expected to exploit these deposits after 20-25 years and this confirmed the feeling of the Deputy Secretary that the objection raised was only formal. At the same time, he was aware that it would take a long time to get NCDC to waive their objection. It would, therefore, be administratively expedient, he thought, to try and locate an alternate source of water supply which would not give rise to a similar objection. He, therefore, took up the matter personally with the Chief Engineer, Irrigation and requested him for an immediate location of an alternate site. Fortunately, a site which could yield the same amount of water at comparable cost could be identified on the Ahiran Nadi, another tributory of the Hasdo.

Having satisfied himself, that an alternate scheme was feasible, he formally proposed that since the merits of the objections raised by NCDC would require a time-consuming and detailed examination, and since there was an alternate feasible scheme, the Government may reiterate its assurance in principle to make the necessary water supply arrangements for

the project. These proposals were referred to the Irrigation Department, which in consultation with the Chief Engineer, agreed to this view, subject to the concurrence of the Finance Department.

The Deputy Secretary then took the case personally to the Finance Secretary, who conveyed the concurrence of the Finance Department, since the construction of the alternate reservoir did not involve any additional financial commitments. On April 10, 1968, the State Government could thus reiterate this assurance, regarding the water supply arrangements and resolve this last minute hitch.

The State Government officers concerned with the pursuing of this project derived a certain amount of satisfaction in knowing that their efforts had borne some fruit and the Union Government had accepted that there was need for coal-based fertiliser plants. The position as of August, 1968 can be best summed up by reproduction of an extract from the 'Hindustan Times' of July 23, 1968 :

> "New Delhi, July 22 (UNI, PTI)—Petroleum Minister Ashoka Mehta told the Lok Sabha today that the Government was keenly interested in setting up coal-based fertiliser plants to diversify the feed-stock of the coal industry.
>
> "Answering questions why the Government was going in for ammonia-based units when this material had to be imported, he said that, precisely for this reason, efforts were being made to revive the coal-based plants at Korba, Madhya Pradesh and at Ramagundam, Andhra Pradesh.
>
> "Mr. Mehta said the Korba Project was abandoned in 1965 on the advent of naphtha-based technology and the possibility of reducing the cost of fertiliser production.
>
> "Latest studies, had, however, shown that naphtha, now available in plenty and being exported would be in short

supply in 1975. The Government therefore, wanted to encourage coal-based plants to ensure that indigenous raw materials would be used to the maximum extent possible".

Appendix

AVAILABILITY OF NAPHTHA IN INDIA IN THE NEAR FUTURE

The refining capacity in India is expected to be of the order of 22.09 million tonnes (crude throughput) by 1971. At this capacity level, the total availability of naphtha for purposes other than motor gasolene is estimated at 2.37 million tonnes. The petro-chemical industries are expected to consume approximately 0.86 million tonnes of naphtha, thus leaving only 1.51 million tonnes available for fertiliser production. Since by that stage, the naphtha requirements of the fertiliser plants already in existence, those under construction and those licensed would be about 2.39 million tonnes, there would be a gap of 0.88 million tonnes of naphtha. This gap is expected to widen even further by 1975-76, since fertiliser production is expected to increase much more rapidly than the demand for petroleum products, and, therefore, the increase in refining capacity. By 1975-76, it is expected that nitrogenous fertilisers to the extent of four million tonnes (as nitrogen equivalent) will be required annually and it has been estimated that indigenously available naphtha will only be sufficient for the production of half this requirement.

It may also be mentioned that, amongst the other feedstocks, only natural gas is available in limited quantities and that too mainly in Assam. Coke-oven gases as feed-stock have their own limitations, since the quantity of coke-oven gases available is determined by the amount of coke produced for other requirements, notably in steel plants. Further, the steel plants are often reluctant to make coke-oven gases, available at a reasonable price for fertiliser making; they prefer to use them for internal heating purposes. Other feed-stocks such as crude oil are too expensive. Thus under Indian conditions, the anticipated shortage in naphtha can only be made up by using coal or by relying on imported naphtha or ammonia.

Since more than 75 per cent of the petroleum crude requirements of Indian refineries have to be imported, even the indigenous available naphtha is indirectly an imported raw material. The above statistical data is based on the following two papers, which may be referred to for fuller discussion of the question :

1. "Raw Materials for Fertilisers—Their Processing and Significance in Future Fertiliser Production'

By K.R. Chakravorty, Planning and Development Division. Fertiliser Corporation of India, Sindri (Bihar)—Printed in "Technology". Volume 2, No. 4.

2. "Selection of Feed-stocks for Indigenous Fertiliser Industry in India"—T. R. Ardhanani and R. R. Poricha. A Paper read at the seminar on Fertiliser Plant Engineering in India held on December 16, 1967 and published in the proceedings printed by the Indian Institute of Chemical Engineers, Calcutta Regional Centre.

MANAGEMENT OF A TRIBAL DEVELOPMENT CORPORATION

C. B. RAU

During the years 1960-1964, the tribal areas in Srikakulam, Visakhapatnam, East and West Godavari Districts of Andhra Pradesh seemed placid, quiet and serene. The tribals—called *Girijans*—always docile, seemed at peace with themselves and the world at large. It was, however, like a dormant volcano. The simmering was bound to begin; may be a day, a month, a year, ten years hence.

The tribals *Jatapus* and *Sovaras* of these areas had, for generations, taken life in their stride and were almost willing victims of the forces that were ranged against them, be they the forest officials, the ubiquitous money-lenders or the avaricious "land-sharks." Their living standards were abysmally poor and their way of life, at least in the interior areas, was more animal-like than human. The tribals who lived in the areas, closer to the plains or the centres of Governmental activities were seemingly better off. But these were in fact the most exploited. While the tribals in the interior areas lived a natural life, living as they had lived for generations, those who had been exposed to the influence of the plainsmen had not only to give up their traditional way of living, but in the process had to be at the mercy of the "land-sharks" and contractors under whom they had to work. The land-lords themselves came into possession of these lands by a system which does discredit to any civilised Government or people. The tribals had, at one time, perhaps, decades back, borrowed small amounts from the very willing money-lenders at usurious rates of interest that snow-balled as time passed; whatever the tribals were able to muster and pay back never reached anywhere near even the interest. The result was that the principal always remained unpaid and at the exorbitant rates of interest, it accumulated to a hopeless

extent. Furthermore, the money-lenders maintained the accounts and they were so manipulated that it seemed that there had never been any payment at all. Gradually, the tribals who were in possession of some lands had no other option except to surrender the land to the money-lenders towards the payment of the debts and very soon they began to work as labourers in the very fields of which they had been owners. The money-lender-cum-land-lords and the contractors, who were the new class that emerged in the tribal areas, were a formidable combination of exploiters. The tribals were being paid very low wages; many times, instead of wages, they were given small quantities of the produce. The tribal needed money for buying his essential requirements like salt, rice, etc.; he had again to turn to the money-lender for help.

The other main activity of the tribals was gathering the Minor Forest Produce (M F P) from the interior areas, bringing it to the tribal *shandies* and selling it to the merchants. They invariably sold them at very low rates as they had no concept about the value of the produce itself. The task of gathering the produce was strenuous and back-breaking and involved the work of the entire tribal family. Another trick that the plains-merchants employed very successfully was to use false weights and pay the tribal apparently a fairly high unit rate. The tribal was easily and completely taken in by this ruse and got really much less than what he would have got at a normal unit rate.

Another activity of the tribal in those areas was *podu* cultivation. This consisted of burning of the forest and cultivation of some dry crops with the help of the burnt ash. The tribal did not have to invest anything on cultivation except his labour and he got a small return. This practice which had come down through the centuries was wholly wasteful and detrimental as forest wealth was burnt down, leading to deforestation, imbalance in the ecology of the area and was harmful to tribal himself in the long run. Government tried to persuade the tribals to give up this habit, but without significant success. This was largely because no alternative was shown to the tribals

and he felt no sense of belonging or commitment to any particular piece of land and the very people who were advising him to give up this habit, the lower forest officials, were considered by him as inimical to his interests.

In this atmosphere of gloom and desperation, suddenly there emerged a phenomenon which shook the area as nothing else had done before. A school teacher, who was posted in a tribal block area (Bhatdragiri) in Srikakulam district, saw the callous exploitation of the tribals and his conscience and sensitivity revolted against the system. He went round the tribal villages and was able to see for himself their living conditions. He noticed, how the land-lords were exploiting the tribals by paying them very low wages. He deeply ruminated over their conditions and decided to jump into the fray. He talked to the tribals, organised them and made them go on strike demanding higher wages. This was the first time that anything like this had ever happened in the area and it was a jolt to the complacency of the administration as well as the plainsmen. He also organised a Tribal Labour Contract Society, through which he wanted to ensure better wages for the tribals engaged in the development works.

Vempatapul Satyam, who later became a legendary figure as the leader of the naxalite movement in the area, had to pay the price for taking up the cause of the tribals. The vested interests in the area and the administration got worried and got him transferred outside the area to a distant place. Satyam went on leave, but did not join the new post. After some time, when he was forced to join his new post, he resigned from his job and took up the tribal cause on a full-time basis. Even when he was a school teacher in the area, the administration tried to break his will by launching security proceedings against him in the court of the Sub-Collector and Sub-Divisional Magistrate. The desired effect was not, however, achieved and he was, in fact, discharged after the lapse of some time.

The Government realised even then that something positive had to be done to help the tribals and also recognised that they were subjected to exploitation by the greedy money-lenders and

land-lords and decided to take some measures. One of them was to promulgate an Act called the 'The Andhra Pradesh Tribal Debt Relief Act'. Under this, the Government took powers to go into the indebtedness of tribals and determine how much was paid by the tribals, how much, if any, remained to be paid and to treat the debts as having been repaid, if it conformed to certain rules and regulations, incorporated in the Act. This measure, though well-intentioned, soon failed as the Government did not acquire the necessary authority to scrutinise the money-lenders' accounts in any meaningful manner and even if it did, the money-lenders were able to produce duplicate accounts and the tribal was in no position to controvert them as he himself never maintained any accounts. At the same time, the tribals were also afraid to give evidence against the money-lenders as they had to depend on them for further loans and did not want to antagonise them. The tribals seemed to live almost solely on loans.

Government took yet another step towards ameliorating the condition of the tribals. This was a major step, the first of its kind in the country. They constituted *The Andhra Pradesh Tribal Cooperative Development and Finance Corporation* with its head-quarters at Visakhapatnam with the objectives of purchasing MFP on a monopoly basis and supplying the daily necessities of the tribals at reasonable and cheap prices. The produce collected from the tribals would be processed by the Corporation so that it was able to pass on as high a price as possible to them. The Corporation was also expected to give loans to the tribals so that they had an alternative to the usurious money-lender, and thus could escape his clutches. The Corporation was originally to be registered as a company under The Indian Companies' Act, but later, on the suggestion of the then Governor, it was registered as a Cooperative Society under the Cooperative Societies' Act. The Corporation came into being amidst much good-will, hopes and expectations of both the Government as well as the tribals. Some tribal representatives, like the Members of the Legislature from some tribal areas, were inducted as Directors in the Board of Directors of the Corporation and so were the Collectors and District

Magistrates of the principal tribal districts in the area. Government appointed a retired I. A. S. Officer as its first General Manager-cum-Director and it was hoped that this Officer, with his previous experience in the tribal areas, would be able to deliver the goods and make the Corporation a real instrument for tribal welfare and exterminate the tribal exploitation. The Corporation set up branches—called Societies—at various centres in the districts of its operation, especially in Visakhapatnam and Srikakulam districts. It also opened up several centres, wherever possible in the interior areas, where the tribals' daily necessities were sold, and MFP collected by them was purchased. It also established some regular daily requirement (D R) shops in the interior areas so that the tribals could purchase their daily needs from the shops.

There was then a feeling of euphoria that all was well and that the magic of the constitution of the Corporation would do the trick. It did not take long, however, for the Government to realise that things had gone awry. There was large-scale criticism that the Corporation, instead of being a vehicle for tribal development, was in fact an impediment. The tribal legislators as well as other enlightened members of the public began to criticise the Corporation severely for its acts of omission and commission. The main allegations were that the Corporation was top-heavy, incompetent and inefficient. It was felt that the tribals were paid much less for their MFP than their due, not only on the basis of the market conditions, but also on the basis of what they used to get earlier from the plains-merchants, and what they would have been paid, if only the merchants were allowed to re-enter the scene. The Corporation lacked market intelligence and was not able to extract the maximum price in the plains market for the produce, bought from the tribals. It was the tribal who ultimately suffered, as the Corporation in any case, was deducting all its actual expenditure like transportation, storage, wastage, etc. It was also said that the Corporation was selling the D Rs to the tribals at very high rates. It was even alleged that the top management of the Corporation was not above board.

These criticisms became so persistent that it soon became apparent that the Government could no longer ignore them. The tribal and other legislators took every available opportunity on the floor of the State Assembly to criticise the Corporation. These criticisms were particularly vociferous at the time of the budget demand discussions of the grants for the Department of Tribal Welfare. The feeble defence put up by the Minister for Tribal Welfare was of no avail. It was clear that something fundamental was wrong with the Corporation. It seemed to have incurred the wrath of the tribals themselves. Government had at last to take note of these criticisms and appointed a high level enquiry committee under the chairmanship of a senior I C S Officer to go into the working of this Corporation and suggest suitable remedial measures. This Committee visited all the tribal areas of the State, particularly the areas covered by the Corporation's activities and took evidence from a number of persons, interested in tribal welfare. The Committee also visited many of the tribal *shandies* and in discussions with the tribals tried to elicit their impressions about the working of the Corporation and what, in their opinion, needed to be done to improve matters.

The chairman of the Committee was genuinely interested in the tribal welfare. It was, however, clear to some of those who accompanied the team to the tribal areas, that the Corporation had somehow failed to tackle the problem. The committee had seen enough to come to the view that the top management of the Corporation had to be replaced, if it were to have any chance of gaining the confidence of the tribals.

Government accepted many of the recommendations of the committee and the principal sequel was the replacement of the Chief Executive of the Corporation. The chairman of the enquiry committee was himself made the Chairman of the Board of Directors of the Corporation. Government then began looking around for a successor to the Chief Executive and posted an officer in the senior time-scale of I.A.S. He worked in the Corporation only for a few months and Government had again to look around for another officer.

An I.A.S. Officer of about 4 years' service was then working as Sub-Collector and Sub-Divisional Magistrate, Parvatipuram in Srikakulam district. This was the young man in whose court Satyam had been tried and discharged. He had been working in that post for over 2 years and was then due for a transfer. He received orders posting him as the Joint Collector of Visakhapatnam district and the young officer was happy that he was going to such an important district as No. 2 man. It seemed a good posting for him and he was looking forward to joining that post, when suddenly Government issued revised orders, posting him as the General Manager (GM) of this Corporation. The young officer felt initially hesitant as he had seen for himself the condition of the Corporation and the problems and challenges which any GM would have to encounter. He was associated with the Corporation as chairman of one of its societies. His role was peripheral but enough to make him realise that it was a problem-ridden organisation. He had also accompanied the enquiry committee during its tour of his Sub-Division. He had no heart right then for such an assignment. After fortifying himself with a spell of leave, he joined the Corporation as the Chief Executive in September, 1964.

The new GM plunged immediately into the affairs of the Corporation and tried to understand the various problems that he was confronted with. He broadly identified these so that he could take steps to improve the working, efficiency and image of the Corporation. He realised that the staff that he had been given was inadequate and ill-equipped. He soon made the necessary changes with the goodwill of the Collectors of the concerned districts. The new chairman during his first visit to the Corporation advised the new GM not to seek a quick transfer from the Corporation but stick to it for 2 or 3 years. It was a challenging task, and if he succeeded, it would mean a bright future in service for him.

The GM found that the Collector of one of the districts was in the habit of treating the Corporation as an extension of his collectorate. The Collector had in fact gone to the extent, before the advent of the new GM, of issuing orders on certain

matters directly to the subordinate officers of the Corporation over the head of the GM and the DGM. The new GM lost no time in remedying the situation. He complained to the Chairman and told him in unequivocal terms that the Corporation was his show and that the Collector should confine himself to his prescribed functions and activities. The Chairman, in the presence of the GM and others, quietly told the Collector that while the Collector was no doubt the Head of the district, he, at the same time, had to recognise the autonomous character of the Corporation. The advice had the desired effect. From then onwards, the relations between the GM and that Collector were correct but never cordial.

After having established his primacy in the Corporation and its autonomous character, the new GM began an appraisal of the activities of the Corporation. He quickly undertook a tour of the tribal areas, visited various *shandies* and met a sizeable cross-section of the tribals. Wherever he went, he found the tribals sullen and uncommunicative to begin with. When he was able to break this barrier with the help of some of the dedicated staff, in particular a Manager of one of the branches of the Corporation, he heard the constant refrain of criticism that the tribal was not paid a proper price for the produce collected by him. The tribals felt that it would be better if the Corporation was removed from the scene of operations or alternatively was made to compete on equal terms with the merchants. It seemed clear to the GM that the Corporation had totally lost, if it ever had, the confidence of the tribals, to serve whom it had been set up. When he surveyed the organisational and managerial resources at his command, he discovered that these were hopelessly ill-equipped to discharge the assigned functions and responsibilities. It was clear that the private traders who had been reaping a rich harvest at the expense of the tribals earlier had turned openly and actively hostile to the Corporation and were determined singly and collectively to destroy the Corporation so that they could re-emerge and resume their strangle-hold over the economy and lives of the tribals. The private traders went about their tasks in an organised and calculated manner. The insistent propaganda and cultivation of the articulate lobbies,

both within and outside the Assembly, had a telling effect. Even some of the leaders whose integrity and dedication to the tribal welfare was beyond question came round to the view that the setting up of the Corporation was a grave blunder. The most prominent among these leaders was a Member of Legislature from one of the constituencies in Visakhaptnam district. He was a universally respected leader and a man of proven integrity and dedication. He was a former Minister of the State and his voice was always heard with respect and attention, whenever he spoke—and often it was—in the Assembly. The private traders convinced him and others that the monopoly that was vested in the Corporation was an un-adulterated evil and that, under its refuge, the Corporation had turned into an exploiting agency. The GM then set about the task of understanding, as to how exactly, the private traders were able to convince the tribals as well as the respected leaders about their view-point.

He first examined the mechanics of price fixation for the MFP of the tribals and also the fixation of the price at which the Corporation was selling the D Rs to the tribals. He then realised that the formula for fixation of the price for the MFP was in fact based on a pattern approved by the Government of India and the State Government. The price was fixed after deducting from the market price the cost of storage, wastage, transportation from the tribal *shandies* to the godowns, the forest rental, and overheads of the Corporation. Sometimes even a small margin of profit was allowed and this meant a further deduction in the price. He discovered that, in the process, the tribals were hardly getting around 60 per cent of the price realised by the Corporation in the sale. Similarly, the price for the D Rs of the tribals was fixed after adding to the price paid by the Corporation for bulk purchases, the cost of transportation, shortage, wastage and other expenses. As there was no forest rental or any other levy to be added to the cost of the D Rs, the Corporation was able to supply these at a fairly reasonable price which was definitely lower than the price at which private traders were able to supply. This was a significant fact and even the tribals readily acknowledged it because the

Corporation was able to supply the requirements in competition with the private traders at cheaper rates and not by exercise of any monopoly. The tribal turned this argument also against the Corporation and asked: "Why can't the Corporation do the same with regard to purchase of the MFP ?" The question was simple and direct and would appeal to anyone without the knowledge of the mechanics of trade in the MFP and the necessity for monopoly. In fact, the Corporation was also purchasing some agricultural produce like *annatto* seeds in competition with the private traders and was by and large, able to buy a sizeable percentage of the produce. This was evidently possible because the Corporation was buying at competitive rates, despite the several ruses resorted to by the private traders. This again led to the same question, namely, why the Corporation could not do the same with regard to the purchase of the MFP. This was indeed a legtimate question that deserved an honest answer.

The GM went into the whole question in great detail. He felt that if monopoly in the purchase of the MFP was being misused by the Corporation, it was his duty to remedy the situation and make suitable recommendations to the Board of Directors and the Government. He soon discovered that the word monopoly itself was a misnomer to apply to the transaction between the tribal and the Corporation and that the traders were cleverly playing on the never-so-popular-phrase of monopoly and were effectively maligning the Corporation in the process. The position was that the forests belonged to the State and so was the MFP which was the produce of natural growth. In other words, the tribal did not make any effort in the growth of the produce, but only collected it; the produce really belonged to the State. By custom and usage, it was recognised by the Government and the Corporation and the tribal was permitted to gather the produce and sell it to contractors who took certain areas on lease from the Government. In other words, the Government leased out the areas based on the forest potential in each area and the contractor really paid the wages for gathering the produce by the tribal. The Forest Department used to auction the leases and the contractor in turn used to 'buy' the produce or, in other words, paid certain

wages to the tribals for the trouble he took to gather the same and deliver it to him at a particular place. All that the State did was to stop the auctions and leased out these areas to a Governmental institution and this institution in turn stepped into the shoes of the former contractors. The Government, all the while, remained the owners of not only the forest, but of the produce too, though it had recognised the right of the tribals to gather the same and eke out their livelihood out of it. It was clear that the word monopoly in the transaction between the Corporation and the tribal was at best a 'white lie'.

In the case of agricultural produce, there was no forest rental and, unlike the MFP, it really belonged to the tribal as he had to grow it and cultivate it. While Government was eminently right in setting up the Corporation and asking it to take over the former functions of the private traders and contractors, it was clear to the GM that the Government had erred grievously in treating it on a par with the private trader and asking it to pay forest rentals. There was no reason for the Corporation, an agency of the Government, being treated like a forest contractor. The forest rentals paid by the Corporation to the Government only came out of the wages paid or price paid to the tribal for gathering the produce. The Corporation, it seemed to the GM, had to be treated differently and considered more as a service institution. The more he looked into the institutional nexus between the Corporation, the Forest Department, and the tribal, the more it convinced him that the very concept of the Corporation being on a par with the private trader was undermining the very rationale of the constitution of the Corporation. He, therefore, felt that one of his first tasks would be to change the basis of the relationship between the Corporation and the Forest Department and, if this was not possible, as the Corporation was an autonomous institution, at least to ensure that it was exempted from the payment of the forest rentals. The Forest Department, he discovered, was enhancing the rentals on each commodity on hypothetical grounds like the over-all increase in the market prices and these were making a big dent in the price paid by the Corporation to the tribal. He came to the conclusion

that the full facts of the nature of the transaction between the Corporation and the tribals were not known to the public at large and the Government and, therefore, he decided that he must place these before them and disabuse their minds of the misapprehensions that they had harboured for so long with so much damage to the image of the Corporation.

The GM then turned to the internal working of the Corporation and examined what needed to be done to improve its efficiency and reduce the over-heads. He discovered that one of the major handicaps that the Corporation was suffering from was complete lack of market intelligence in either the purchase of the D Rs or the sale of the MFP. Managers were dependent entirely on their hunches or on the information that they happened to gather from the traders. They had to decide when exactly the produce should be sold. If the prices were likely to go up, it would be advantageous to store the produce for some time and sell it at higher rates. If, however, the prices were likely to go down, they should sell immediately. Such decisions could be arrived at only on the basis of market intelligence and judgement, but in the absence of the former, the latter alone became the deciding factor. It was very often seen that when some managers held on to their stocks hoping for a better price, the market used to crash and the produce had to be sold later at much lower price than earlier and very often after much damage to the stocks, because of long storage. It also happened that when the managers decided to dispose of the produce, fearing a fall in prices, the prices would soar up within a few weeks and if only the produce had been stored by the Corporation, it would have received a much higher price. There was also room for malpractices in this system of sales. The GM felt that it was necessary to create a Market Intelligence Wing within the Corporation to keep track of fluctuations in the market and to advise the GM and managers about the correct timing for the sale of the produce.

Another factor that the GM noticed was that while the Corporation enjoyed the monopoly in the purchase of the MFP, it had no such benefit when it came to selling the same.

In the open market, their produce had to compete with that from other areas and it often placed the Corporation in a disadvantageous position. The Corporation also suffered from another disadvantage. It was pledged to buy whatever the tribal brought to the *shandy*. Very often very bad or inferior material would be brought by the tribal and this, when mixed with other produce, would result in the quality of the whole lot going down. It was not possible to avoid this as the Corporation purchased the stocks in huge quantities and had to carry them over long distances to the godowns and then had to keep them in godowns for long periods.

The GM came round to the view that it was necessary to build up more godowns either close to the market place or close to the *shandy* areas so that the produce need be transported only once and not twice as was being done because the godowns happened to be located at places, away both from the *shandy* areas and the market place. He also felt that the methods adopted in storage of the produce were really not modern and that no care was being taken to ensure that it did not deteriorate due to the fluctuations in weather or due to insects.

The GM also felt that one of the methods by which the tribal could be given a much higher price was by setting up processing plants for the MFP like *sheekai,* honey, tamarind seeds, etc. He felt that if the Corporation was able to set up these processing plants, it would be able to get a much higher price for the processed product and this, in turn, could be passed on to the tribals. He identified initially four commodities which he felt could be processed before sale with advantage. These were stitching of *adda* leaves, powdering of tamarind seeds, grinding of *sheekai* into powder and pasteurisation of honey. *Adda* leaves which the tribals gathered and brought to the *shandies* were in loose shape and this was a commodity with a very high volume and low unit value. By arranging for the stitching of the leaves and sale as leaves, it was possible to get almost double the price. Similarly, *sheekai* could be converted into powder for toilet purposes and would then be able to

fetch more than double the price for raw *sheekai.* Tamarind had to be de-seeded before it was consumed and the price for de-seeded tamarind, was significantly more than for the raw tamarind. The seed which was a by-product could be used for starch-making, if only it was crushed into powder. The honey that the tribals used to gather was in a diluted and polluted form as they used to squeeze the bee-hive crudely and extract honey out of it. In the process, some of the eggs and small bees also used to get crushed and get mixed in the honey. The honey that the Corporation used to buy from the tribals and sell in the open market used to fetch a very low price and was totally uneconomical. Very often the Corporation used to carry over huge stocks of honey which it was unable to sell at a reasonable price and which used to deteriorate and had to be thrown out ultimately as waste. Such a waste could be avoided, if the honey was properly processed before sale.

The GM discussed all these proposals with the Chairman first and the Chairman readily agreed to these suggestions. The GM accordingly formulated detailed proposals and placed them before the Board of Directors who approved of them and gave the green signal for implementing the scheme. The snag, however, was the financial position of the Corporation which did not permit the investment of the required funds in these schemes. The Government was always pointing out the fact that the Corporation was continuing to lose and was not making any profits. This refrain of the Government seemed so illogical and short-sighted that the GM felt that the point had to be brought home to the Government that the Corporation was not entirely a profit-making body. It had been set up for the avowed purpose of ameliorating the conditions of the tribals. When the GM approached the Government for additional funds for setting up the processing plants, the response was not quite favourable. He, therefore, decided that he would execute the schemes with the resources then available with the Corporation. This would only mean greater losses initially. When the plants were set up, the GM felt that the Government willy nilly, would have to come to its rescue and provide funds. He, therefore, took immediate steps to set up the processing plants.

Within a few months, he was able to establish two such plants, one for pasteurisation of honey and another for preparation of *sheekai* powder. For pasteurisation of honey, he sought the help of the Khadi and Village Industries Commission for equipment and financial assistance. He was able to get complete cooperation from the Khadi and Village Industries Commission, thanks to the farsightedness of the Commission and its then Chairman in particular. He was able to muster the required funds for the *sheekai* grinding plant and that was as far as he could go in this regard. Without extra funds, he was unable to proceed further with his other ambitious scheme of setting up numerous processing plants all over the tribal areas. This would have been a major break-through—if it could have been done—as it would have taken the age of industrialisation to the door-step, as it were of the tribal. Besides, it would have generated tribal employment and would have modernised the tribal outlook and weaned him away from his traditional and wasteful practices like *podu* cultivation.

The GM also decided to tackle the problem of the forest rentals with the Forest Department and the Government as it was fast proving to be a crippling factor in the activities of the Corporation. He decided to take up the matter at the highest level with the Chief Conservator of Forests. Accordingly, on his next visit to Hyderabad, he met the Chief Conservator of Forests (CCF) who at that time happened to be a senior I.A.S. Officer. The CCF received the GM cordially and when the GM explained the state of affairs of the Corporation and the unreasonableness of the demands of the Forest Department for annual escalation of rentals, the CCF generally agreed with the GM and welcomed the initiative that the GM had taken in seeing him. He also called in his Deputy CCF, the next in command, who distinctly appeared less cordial and less enthusiastic than his boss. The DCCF mentioned that while it was very well to say that the Corporation should not be treated on a par with the private contractor, the Forest Department was doing so only under the specific orders and directives from the Government. The Forest Department had no authority to give concessions to the Corporation in the matter of the rentals.

Certain targets for extra revenue from the Forest Department had been fixed by the Government ; the department would be unable to achieve these targets, unless the Corporation was treated on a par with the private contractors and charged higher rentals. The DCCF further added that the Forest Department could easily get double or treble the royalties being paid by the Corporation, if only the Corporation had not been there or the private contractors had been allowed to compete with them. The GM pointed out that the stake and interests of the Government in the tribal areas was not merely increased collection of royalties, but that there were bigger and wider issues at stake like tribal welfare, and development. The DCCF mentioned that, as a forest official, he was not concerned with these factors and that his simple and plain duty was to obey the Government instructions and to charge rentals as prescribed under the rules. The GM realised that there was no use of trying to settle the matter at the level of the Forest Department. The DCCF seemed such a dedicated forest official; he would view the problem in no other light. The GM then decided that he should take up the matter with the Government. Meanwhile, the DCCF became the CCF. The GM then met the Deputy Secretary in the concerned department of the State Government and explained at length the affairs of the Corporation and dwelt in particular on the problem of the forest rentals. The Deputy Secretary, who was then generally considered to be a powerful officer, decided to act. He asked the GM to give him a detailed note and then fixed a meeting with the GM and the CCF to sort it out. The Deputy Secretary, however, plainly told the GM that the orders to treat the Corporation on a par with the private contractors could not be changed as it was a policy matter to be decided at a very high level. He also told him that the Corporation would have to continue to pay the royalties as this was linked with the former issue. All that the Deputy Secretary promised to do was to ensure that the rentals were not enhanced arbitrarily. At the meeting, the GM explained once again the background and rationale of his proposals and questioned the criteria under which the Forest Department was escalating the rentals every year arbitrarily on hypothetical considerations. The CCF repeated all his by-then-well-known argu-

ments and asserted that what he was doing was no more than obeying Government instructions. As for escalation of the rentals, it was much less than what it would have been if the Corporation did not enjoy the monopoly. He also told the Deputy Secretary that he could not be expected to achieve his targets of increased rentals if the Corporation was to be excluded from the increases. The GM, however, pointed out that the forest rentals would ultimately have to be paid by the tribals and not by the Corporation and that increases of this nature would undermine the confidence of the tribal not only in the Corporation but also in the professed concern of the Government for tribal welfare. He also pointed out that increases of rentals were based on non-existent increases in the market prices of the commodities and that the Forest Department had no right to link the increases to any other considerations. He quoted figures to show that there were no increases in the market rates and that, in fact, the only real index was the prices at which the Corporation had sold the produce. This was ultimately the argument that clinched the matter in favour of the Corporation and the Deputy Secretary agreed that there was no case for enhancing the rentals to be paid by the Corporation. He, accordingly, agreed to put up a note for the Government's approval and communicate the same later. While the GM felt happy that he was able to win the 'battle', he was at the same time conscious of the fact that he had incurred the 'wrath' of the Forest Department and that they would no doubt show it in their dealings with the Corporation. He felt that he had no other go and decided to face it, when the time came.

The GM simultaneously tackled the problem of lack of market intelligence and undertook the other steps, necessary to strengthen the institutional frame-work of the Corporation. He had put up a proposal to the Board of Directors of the Corporation to create a post of Market Intelligence Officer. While the Board and the Government agreed in principle with this, the actual scale of pay that was sanctioned for the post was so low that the only way of filling it up was by taking on deputation a middle-level officer of the State Marketing Department. While the GM was not happy that this proposal did not go

through in the way he wanted, he had to be content with what he got. He then took up the matter with the State Directorate of Marketing and asked for the services of an able and honest officer for deputation to the Corporation, and asked for a panel of names for the selection. The matter then got involved in correspondence between the State Directorate of Marketing and the GM. The State Directorate of Marketing took considerable time to send a panel of names which, on scrutiny, the GM found did not contain the names of the sort of officers, he was looking for. He again wanted a fresh panel of names and then he took it up personally with the State Director and requested for names of really competent and honest officers. The State Director suggested a couple of good officers' names, but the scale of pay of the post was not attractive enough for them to come on deputation. The matter thus got delayed and the GM did not get the benefit of a suitable Market Intelligence Officer till the last stages of his own tenure in the Corporation. The GM, however, improvised, built up and streamlined a Market Intelligence Cell in the Corporation with the available persons. He came to an arrangement under which the market intelligence of the State Directorate of Marketing was passed on to the Corporation on a regular basis and the managers were asked to take advantage of this in deciding the timing of the sale of the produce. The GM also issued instructions to the Managers, giving them suitable guide-lines in this regard and also demarcated the powers between the managers and the Head-office. For sale beyond a particular limit for each category, the instructions and approval of the Head-office had to be obtained and, in the case of high value commodities, the Head-office would conduct the auctions and sell the produce. These arrangements were, however, only improvised and provisional and were not satisfactory enough to achieve the objective of correct, reliable and up-to-date market intelligence. This was a matter of constant unhappiness for the GM, but there was little more that he could do under the circumstances.

One of the impediments that the GM discovered that he had to face in stream-lining the activities of the Corporation and getting the approval of the Government for his proposals

was none other than the Head of the department of Tribal Welfare. The Directorate of Tribal Welfare was used to treating the Corporation like a subordinate agency and was most impervious to any new thinking or new demands on the Government. The Director of Tribal Welfare had himself been the Chairman of the Corporation before the change as a sequel to the report of the Committee and he subsequently continued as a Director on the Board. He perhaps, felt unhappy that he was demoted from the rank of Chairman to a mere Director. The GM had to request the help of the Chairman who was the second senior-most I.C.S. Officer in the State to sort out the problems with the Director, Tribal Welfare. The GM prepared a note on all the pending problems and requested the Chairman to thrash out all the points at a meeting with the concerned Secretary to the Government and the Director, Tribal Welfare. The Chairman was good enough to do so and the Secretary, happily, adopted a constructive approach to the problems of the Corporation. The Director, Tribal Welfare slowly faded away and soon ceased to count as a force in the framing of policies of the Corporation. After some time, however, a new Director of Social Welfare and Tribal Welfare took over. He was a refreshing contrast to his predecessor and was most helpful and constructive in his attitude.

With all this, however, the basic concept that the Corporation was on a par with any forest contractor and that it was a commercial entity with the objective of achieving at least self-sufficiency, if not, earning profits could not be changed. Such a change could be brought about only either by the Chief Minister or by the Cabinet and there was never an occasion to take the problem to that level. The only person who could have done so was the Chairman and the GM repeatedly pleaded with the Chairman to do so. For some reason, the Chairman would not take any steps in the matter. It must, at the same time, be said that the Chairman was able to get many things done by virtue of his very senior position in the official hierarchy of the Government.

The GM also decided that he would try his best to improve the image of the Corporation. With this end in view, he began bringing the full facts of the so-called monopoly of the Corporation to the notice of the Members of the Legislature, interested in tribal development and, particularly, the tribal leaders. He made it a point to call on these Members and explained to them at length the working of the Corporation, its basic policies, its inherent limitations and, above all, its sincerity to serve as a tool of tribal development. He decided to do so, though it was rather unconventional. He met in particular the MLA and the ex-Minister referred to earlier and discussed with him at great length the activities of the Corporation. The MLA, however, had made up his mind earlier and was very much against the Corporation. The GM prepared a detailed note and requested this gentleman kindly to go through it and again went to him for a further discussion. It was with very great difficulty and after a great deal of persuasion, that the GM was able to convince him that his earlier impressions were mis-conceived and were not borne out by facts. While the MLA did not openly admit—perhaps pride stood in the way—that he was wrong in his earlier opinion, the result of it surfaced at the time of the discussions on the demands on tribal welfare department of the State Government. Every year, he was a powerful spokesman of the anti-Corporation lobby in the State Assembly. This particular year, he did speak on tribal development, but chose to remain silent on the Corporation. Even the other MLAs who every year used to launch a scathing criticism against the Corporation were either mute or muffled in their criticism.

The GM, while trying to counter the propaganda of the private traders, also at the same time tried to arrive at a working arrangement with the representative Associations as they constituted a powerful force to be reckoned with, in selling the forest produce in the open market. He visited the various centres of trade and met leaders of the trade, discussed with them problems of mutual interest. The traders had, by then, realised that they could no longer take the Corporation for granted and that it was better at least ostensibly to be cordial

with the GM and the Corporation. The GM repeatedly told the traders that while the Corporation was assigned the responsibility of purchasing the MFP because it happened to be the lessee in those areas, there was no question of undermining the interests of the private traders in regard to other avenues open to them, namely, purchase of agricultural produce from the tribal and supplies of domestic requirements. He assured them that there was no move to extend its monopoly to the agricultural produce. The GM also told the private traders that, while he was prepared to cooperate with them in selling the tribal produce, he was not at the same time prepared to countenance any collusion among them to undercut the Corporation. As a result of this frank discussion, the general hostility of the private traders abated within a few months.

The GM also felt that the centres of the sale of the produce had to be broadened so that there would not be any dependence on a handful of traders. He undertook a business visit to Madras and explored the possibilities of selling the MFP, particularly tamarind, directly to the big merchants of Madras. While considerable headway was made in establishing direct contacts, the major impediment was that the type of tamarind that was saleable in the Madras market needed considerable processing from the shape in which it was being sold by the Corporation in the near-by markets. This type of processing was time-consuming and expensive. It was felt by the Board of Directors that, at that juncture, it would not be desirable to undertake this additional activity.

While attempting to get the forest rentals reduced, the GM at the same time tried to find out whether by improved efficiency, a higher price could be passed on to the tribal. He discovered that there was scope for reducing the over-heads by better maintenance of the transport vehicles, engaged for the transport of the MFP from the *shandies* to the godowns and from godowns to the market places and also for the transport of the DRs from the market places to the centres of sale. It was noticed that many vehicles had not even been serviced for long periods and similarly, the tyres of lorries had not even been re-treaded

in time. The GM also tried to synchronise, as far as possible, the movement of the MFP to the market place and the movement of the D Rs from the market place to the godowns and centres of sale so that empty trips were minimised. The GM also noticed that, either due to storage or pilferage or both, the quantities that were accounted for as losses due to storage and driage were unduly high. He then went into the question in detail and after consulting the marketing departments of both the State and the Central Governments fixed permissible percentages of driage and wastage for each commodity. This greatly reduced the scope for excessive pilferage or undue negligence in handling. These percentages were also fixed for the D Rs both at the stage of storage at the godowns as well as in the shops. By these and other steps, the GM was able to improve the efficiency of the organisation considerably and, in the process, the D Rs could be sold at cheaper rates and similarly, a better price was paid for the MFP.

The greater challenge that the GM had to face was in regaining the confidence of the tribals which had been severely shattered during the earlier years of the working of the Corporation. Apart from the acts of commission or omission of the Corporation, the main reason for the lack of confidence of the tribals was their feeling that they would have got a better price for their produce at the hands of the private traders. The technique adopted by the private traders who influenced the tribal in this regard was simple but most effective. The private trader used to visit tribal areas and even go from village to village and purchase almost at the door-step of the tribal a small quantity of the MFP at a very high unit rate with inaccurate measures and weights. The tribal only knew that the private trader was purchasing so many kgs of the MFP at a rate of so much for one kg. He was blissfully unaware of the fact that he was being cheated by the trader regarding the total weight of his produce. The tribal immediately used to compare the trader's rate with the price paid by the Corporation for the same quantity in the *shandies*. He saw that he was getting a much lower price from the Corporation; and he had the additional worry of carrying the produce all the way to the *shandy*

from his village. This was indeed a telling argument against his selling any MFP to the Corporation. It was obvious to the GM that, unless this was countered and the tribal convinced that selling to the Corporation was really beneficial to him and that the private trader was duping him or even deliberately paying a very high price for a small quantity with the sole objective of undermining the confidence of the tribal in the Corporation, there was no hope of the Corporation ever emerging as a true friend of the tribal. The first step was to show to the tribal the correct measures so that he could see for himself at the time of sale to the private trader that he was being duped. Secondly, he realised that the Corporation should devise a system by which the centres of purchase were increased so that the distance that the tribal had to cover for transport of the MFP was minimised. It was, however, obvious that it was impossible to purchase the produce from each tribal in his own village, considering the total volume and variety of commodities that the Corporation was purchasing, and the vastness of the area covered by the Corporation, *i.e.*, about 3,000 villages. In fact, even the private trader was not doing so in the days when he was the authorised agent on behalf of the Government. He was now doing so clandestinely after the Corporation had entered the field with the sole motive of maligning the Corporation. The private trader not only was carrying on this propaganda among the tribals, but was also trying to brain-wash the tribal leaders, the tribal legislators, and other leaders of public opinion. The GM then asked the managers to demonstrate in each *shandy* and also in as many tribal villages as possible the correct measures and weights and to tell the tribals that the use of any other weights or measures was an offence against the law. Simultaneously, he also increased the number of buying centres of the MFP and the selling centres of the DRs so that to the extent possible, the distance that the tribal had to cover was reduced. The managers were also instructed to launch a campaign and try to convince the tribal that the private trader, first of all, had no right to purchase anything from them and secondly, that he was using false measures and thirdly, was purchasing only little quantities at artificially high rates. And further, even if he

was not using false measures, the private trader would never have purchased all his produce at the same rate. The managers accordingly tried to place these facts before the tribals and while there was some appreciation, it still seemed that the tribal was still not fully convinced. The principal reasons were again two-fold; firstly, the tribal thought that if the Corporation were not there, the private trader would buy the produce at his door-step and secondly, the private trader was only too willing to advance loans, whenever he wanted money.

One of the principal functions of the Corporation was to advance loans to the tribals. Up to a certain fixed limit, such loans could be given without any security. Beyond the limit, the loan would be given against proper securities. The Corporation's activities in this regard, however, were severely handicapped because of certain inherent limitations. The limit for loans without security was about Rs. 50 and this was too inadequate to serve the purpose. Also, the managers were very hesitant to advance the loans in any liberal manner, as they were afraid that these may land them in trouble. Even the loans against securities were very limited. There was an upper limit for each loan against security. Moreover, the total amount available for such loans was also fixed. The amount placed at the disposal of the Corporation for loaning purposes was very meagre and even this meagre amount very often remained unspent. It was in this activity that the private trader had all the advantages. He was prepared to take the risk, if any, and very often, he used to extract more than the loan from the produce. He catered to a limited clientele and was always able to ensure that his interests were sufficiently safeguarded. The GM tried to get the limits enhanced. He attempted to introduce an element of vigour in the granting of loans to the tribals. But these efforts did not significantly succeed since the managers always tried to play for safety.

The Board of Directors consisted, among others, of the Collectors of the four districts covered by the activities of the Corporation. During the tenure of the GM, the Corporation extended its activities to one more district, Khammam. As the

Collectors were senior colleagues of the GM and were in the same cadre, the GM was able to establish quickly a rapport with them which was of immense benefit to him and the Corporation. One of the changes that he gradually effected was to replace the older managers and other personnel with honest, younger and abler officers on deputation from the Government. These managers had to be careful in their dealings in the Corporation as they knew that their future career was at stake in the Corporation since the GM was close to their Collectors. With the help of the Chairman who was the Second Member and then later First Member of Revenue in charge directly of the Revenue Establishment in the State, the GM was also able to obtain the services of fairly competent and honest Deputy G.Ms.

The Board of Directors also consisted of a few non-official Directors, who were mostly tribal legislators or those who were interested in championing the tribal cause. Though they were the representatives of the tribal constituencies, they had no deep interest in tribal welfare. One of these Directors in particular, an ex-MLA from the tribal constituency, used to exploit his Directorship by travelling in a Corporation vehicle along with the Corporation personnel. Later, he would claim travelling allowance for such trips. The GM issued strict instructions to the employees to invariably make a note of the lifts given to the non-official Directors and scrutinise the T. A. bills later to prevent any malpractice. These non-official Directors, were, by no means happy about it, but they could not complain against it though they tried to show their displeasure in other ways. One of the non-official Directors, in fact, complained at a Board meeting that the non-official Directors were not being treated properly and that their suggestions and advice were not being given due weight. The GM asked the non-official Director in what precise manner they were not being treated properly. He challenged him to cite any instance when their suggestions were not given the weight that they deserved. The GM further mentioned that it was his complaint that the non-official Directors were not taking active interest in mobilising the support of the tribals for the activities of the Corporation. He also pointed out that, according to his information, some of the

non-official Directors were not fully supporting the policies of the Corporation in their talks with the tribals in their constituencies. This counter-attack effectively silenced them.

The Forest Department which all along had been a hurdle in the way of any effective implementation of the tribal development programmes also gradually became more hostile to the Corporation. The departmental officials no doubt took the cue from their Chief Conservator who never forgave the GM for getting him overruled by the Government in regard to the forest rentals. They began to give pin-pricks to the local managers for any trivial violation of the contract between the Corporation and the department. The contract was so worded with so many clauses in it, that it was practically impossible for any one to operate strictly within its ambit. The lower forest officials took full advantage of this in their dealings with the forest contractors. In one case when the period of the contract had expired, without its being renewed by the Government before the expiry, the local forest officials refused to allow the Corporation to operate in the area on the technical plea that their contract was no longer subsisting. When the GM took up the matter with these officials, they pleaded their inability to do anything in the matter without the approval of the CCF. The GM had to take up the matter with the CCF through the Chairman with a strong protest against the attitude of the Forest Department. The orders of the District Forest Officer were then rescinded and the Corporation was allowed to operate. Finding that the GM was capable of taking up the matter at the highest level, the attitude of the Forest Department changed to sullen hostility. Nevertheless, this department remained all through an impediment to genuine tribal development.

The articulate opposition to the Corporation had almost died down and the forces oppposed to it were almost reconciled to its continuation and success, when a major development took place in the state. The then Chief Minister of the State resigned abruptly and a new CM took over. The forces against the Corporation, finding that they had once again a chance to malign it, approached the new CM and presumably repeated all the well-known arguments against the Corporation and its

activities. The new CM decided that he would see for himself and meet the tribals directly and then make up his mind about the Corporation. He accordingly decided to make a quick visit to the tribal areas of Visakhapatnam district.

The GM realised the importance of the CM's visit. He knew that on this visit depended partly the success or failure of all his efforts during the past two years. The forces against the Corporation also realized that this was their golden opportunity to wreck the Corporation and, more paricularly, the GM. By then, a new Chairman had taken over in the Corporation. The new Chairman was generally known for his unwillingness to take up any strong stand. The GM then realised that he could not expect much help from the Chairman in the encounter with the forces opposed to the Corporation. He also quickly realised that, ultimately, the CM would be guided in his appraisal by what the tribals told him and that the opposite forces would mobilise some tribals and bring them before the CM to speak against the Corporation's activities. The GM then decided on a two-fold strategy. He felt that the Board of Directors which consisted of the four Collectors of the districts could be utilized as a powerful force to influence the CM, as the Collectors as Heads of the districts were really the custodians of the interests of all the people including the tribals. He sensed that their presence at the time when the CM would meet the tribals would be a poweful factor in his favour. He, therefore, persuaded the Chairman to convene a special Board meeting at Araku, the place where the CM was to meet the tribals- Secondly, he instructed his managers also to mobilise tribals from interior areas and bring them before the CM to speak what they felt about the Corporation. He took care to tell all the managers that, while they should naturally bring to Araku those known to be supporters of the Corporation, no attempt should be made to brain-wash them.

The CM accompanied by the Collector, Visakhapatnam arrived at Araku, one summer morning around 11 a.m. The GM and the other Directors of the Corporation were there to receive him and the CM immediately began discussions with the Directors, the GM and also the tribal leaders who had also

gathered at the venue. The CM first asked the GM to explain the activities of the Corporation and the impact it had made so far and what further needed to be done in this regard. The GM then gave a detailed appraisal of the performance of the Corporation, its achievements till then and also mentioned frankly the inherent deficiencies which had to be remedied to make the working of the Corporation more successful. He mentioned, in particular, the steps the Corporation had taken in setting up processing units, establishing more DR centres and purchasing centres. He dwelt on the inadequacy of the loaning programme, the difficulties with the Forest Department and the absurdity of the Corporation being forced to pay the forest rentals, and the limitations, inherent in treating the Corporation as a purely commercial entity. The CM then invited suggestions from the non-official Directors and other tribal leaders who were present. While some of them mentioned some points indicating the difficulties and deficiencies in the Corporation working, most of the non-official Directors and other tribal leaders came out in support of the Corporation's activities and its role in tribal development. The Collectors of the districts also supported the Corporation. The CM then came out of the meeting and met a large number of tribals who had gathered outside the venue of the meeting. The CM asked the tribals what their impressions were about the Corporation. Almost all the tribals who spoke supported the Corporation but mentioned one or two points like inadequacy of the loaning programme, the need to open more DR centres, more purchasing centres, better price for the MFP. As these points had already been mentioned by the GM himself and as he had pointed out the difficulties in the way of his remedying these defects, those suggestions were well received by the CM. The CM specifically asked the tribals who had gathered there, whether they were, by and large, happy with the Corporation and all the tribals there almost unanimously said 'YES'. The GM himself was rather surprised to hear it ; he expected that some of the tribals would criticise the Corporation. He found out later that the detractors were present but remained silent, when they found that the tide was against them. The CM felt happy about it and told the GM that the Corporation appeared to be

working on right lines and that, however, it had to enlarge and diversify its activities by a wider loaning programme, etc. The CM seemed impressed by what he had heard from the tribals and the fact that they had also mentioned some of the basic deficiencies in the set-up and organisation of the Corporation appeared to have convinced him that they had not been tutored by the Corporation. Indeed, it would have been a catastrophic mistake to have tried to do so. The CM then joined the Directors at a lunch hosted by the Corporation. While leaving for Visakhapatnam, the CM again told the GM that he was happy with the working of the Corporation, and that, however, aspects like loaning programme had to be pursued more vigorously. It was clear to everyone who was present there that the visit of the CM had passed off very successfully for the Corporation and, in particular, for the GM and the Directors. All the Directors, including the Chairman congratulated the GM on his performance on that occasion. Some of the Directors advised the GM that it was time for him to leave the Corporation, while the "going was good". They felt that, while the visit of the CM could be the climax, there might be an anti-climax later.

The GM considered the visit of CM not only as a test of his leadership of the Corporation but more important as a major opportunity to bring about a complete change in the attitude of the Government towards the Corporation. The GM, however, felt that while the visit of the CM went off well, the real test of the success of the visit had to be seen yet in the policies that the Government would adopt towards the Corporation, particularly in regard to the basic issue whether the Corporation was to be treated solely as a commercial entity on a par with the private forest contractors. He was hopeful that the CM after his visit would initiate a change in the basic attitude of the Government. He hopefully waited for signs of any change in the outlook of the Government. He thought that either the Chief Secretary or the Secretary concerned would call a meeting to review the basic concepts and policies of the Corporation. Time ebbed away, but there were no visible signs. He paid a visit to Hyderabad and it seemed that the

officials there had almost forgotten the visit of the CM. The GM reluctantly concluded that the CM's visit to the tribal areas and his enquiry into the Corporation's activities was one of his many other visits and it was no more significant than any of them. He could see no other means of provoking further thinking on the part of the Government about the fundamental issues and aspects of the Corporation. The GM came to the the view that the Government would not change its basic concepts about the Corporation as the Forest Department was a force to reckon with. Moreover, there was no compelling need to do so. He felt that the Government would be shaken out of its feeling of smugness only when it was administered a jolt like acute tribal unrest.

After the high water mark of the visit of the CM and the after-math of disappointment, the Corporation more or less ceased to be on the defensive either with the Government or the public at large. The GM had by then completed about 2 years as the Chief Executive of the Corporation. The previous Chairman of the Corporation had by then become the Chief Secretary. Even after he had ceased to be the Chairman, he continued to keep in touch with the Corporation. The Chief Minister wanted to find an officer to rescue another sick undertaking of the Government, namely, a cooperative sugar factory which was then on the brink of collapse. The GM was selected as the Chief Executive of the sugar factory to undertake another rescue operation. That, however, is yet another story.

During the time that he spent as the Chief Executive of the Corporation, the GM felt that he had achieved much, but much more remained to be done. While he had succeeded in toning up the character and working of the Corporation, and substantially improved its 'image', his efforts did not meet with equal success in altering Government's basic concept about the Corporation as essentially a commercial organisation. His efforts to enlarge the functional scope of the Corporation had succeeded. The rest of it was to await more turbulent times—the rise of naxalitism in its most virulent form. It, in fact, first surfaced at a tribal *shandy* of the Corporation and later

assumed the proportions of what a leading newspaper of the country later called 'revolt in Srikakulam district'. During the revolt, much blood was shed (over 100 lives were lost) and their 'guru', 'Satyam' was killed. With hind sight, one could ask : "What would have been the shape of things and the story of naxalitism if the Corporation had really been permitted to function truly and wholly as an instrument of tribal welfare, instead of being stymied constantly by concepts of financial self-sufficiency and equated with private forest contractors?" At the same time, one cannot say that the rise of naxalitism was a direct result of the imperfect functioning of the Tribal Corporation. One can only conclude that, among the various contributory factors, leading to the revolt, one was the failure of the Corporation to act as a true instrument of tribal welfare.

BEAR WITH BEARINGS -A CASE STUDY OF A STATE PROJECT

RAM K. VEPA

This is a case study regarding the execution of a project for the manufacture of Ball and Roller Bearings in Andhra Pradesh. The narrative begins in December, 1960 when AD, the then Managing Director of Andhra Pradesh Industrial Development Corporation (APIDC) addressed a letter to KCM, Agent to the Government of Andhra Pradesh at New Delhi that a company in Madras was interested in establishing a plant for the manufacture of ball bearings with collaboration from a Japanese group, Marubeni (M). APIDC was a project just then established solely by the Government of Andhra Pradesh to provide assistance to new industries being set up in the State in the large and medium industries sector. It had an authorised capital of Rs. 3 crores and a paid-up capital of Rs. 50 lakhs.[1]

On January 12, 1961, KCM suggested that an application for setting up a Ball and Roller Bearings project might be sent by APIDC to the Government of India and also the possibility of collaboration from U.S. and Italy for the project might be explored. On January 13, 1961 the representative of M came to Hyderabad and had discussions with APIDC. He mentioned that a fully worked out integrated project for the manufacture of ball, roller and tapered bearings was being

[1]APIDC had a Managing Director who was an IAS officer and a non-official Chairman as well as a Board consisting of both officials and non-officials connected with industry and banking. The agent at New Delhi was the representative of the State Government to discuss with the ministries matters pertaining to the State and to explore possibilities for the establishment of new industrial projects, both in the public and private sectors. Marubeni-Iida is a Japanese trading firm—one of the largest in Japan—which negotiates on behalf of a number of Japanese firms and has offices at Delhi, Bombay and Madras in India.

worked out by their technical collaborators in Japan and was expected to be received soon. Since there was some delay in the receipt of this integrated project, KCM suggested that a delegation from the technical collaborators might come to India to discuss the matter further. KS is one of the leading bearing manufacturers of Japan, responsible for about 40 per cent of the exports of ball bearings from that country. By the middle of May 1961, the scheme from KS was received and was sent to APIDC at Hyderabad. It was noted that the Japanese were unwilling to participate in the equity capital of the project.

On May 23, 1961, KCM pointed out that the development wing of the Government of India was of the opinion that the Japanese machinery required for the project costing Rs. 1.8 crores might be cut down since it would be difficult to provide foreign exchange for so large an amount. They also suggested that the bearings of a size greater than 1″ might be considered since factories for production in the country of smaller sized bearings had already been set up. KCM suggested that since bearings were no longer on the free licensing list, an application might be filed by APIDC with the Government of India which was done on October 30, 1961.

In November '61, a party from Calcutta (KR) showed interest in participating in the project.[2] They suggested setting up of a public limited company in which APIDC could take 26 per cent of the equity capital and they themselves would participate to an extent of 25 per cent. It was also clarified that the new company could be a joint venture between them and APIDC. Meanwhile, KCM wrote to M indicating the views of the Government of India on the products to be manufactured in the project, the need for capital participation and the terms under which technical collaboration was sought from the Japanese group. M replied on December 29, 1961, stating that the project envisaged manufacture of bearings of sizes greater than 1″ and that indigenous machinery would be utilised as far as possible. They also indicated that a market survey

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[2]A partnership concern in Calcutta interested in structurals, minerals, drums and containers, tin plates, papers, etc.

of the demand for bearings in India was being made and a final decision of the Japanese group would depend on the results of this survey.

In March 1962, APIDC was informed by KCM that the Licensing Committee of the Government of India had approved, in principle, their application. It was also suggested that negotiations between APIDC and the Japanese group as well as the Indian collaborators might now be finalised so that a formal licence could be issued to APIDC. Consequently, APIDC took up further discussions with the Indian group and it was tentatively agreed that the capital structure of the new company would be Rs. 2 crores, of which the share capital would be Rs. 130 lakhs and the loan would be Rs. 70 lakhs. Out of the share capital, equity would be Rs. 98 lakhs and preference would be Rs. 32 lakhs. Both APIDC and the Calcutta group would each provide Rs. 24 lakhs as equity and Rs. 8.5 lakhs as preference. The Chairman of the company would be a nominee of APIDC while the Managing Director (MD) would be a nominee of the Calcutta group. The subject was placed before the Board of APIDC on April 18, 1962 and the Board approved the management pattern suggested and decided that the management of the new project might be vested in a Board of Directors. It also approved sending a team to Japan consisting of the MD, another Director, preferably a technical person, and a representative of the Calcutta group to discuss the matter further with the Japanese collaborators. The Government of India issued a formal license to APIDC on April 25, 1962 for the manufacture of 6 lakhs ball bearings, 2.4 lakhs of tapered roller bearings and 24,000 Axle Boxes. This was on the assumption of a single shift working, but on two shifts, the production capacity could be increased.

In August 1962, it was decided by the Board that KCM, who had taken a leading part in the discussions might be deputed to Japan for further negotiations with KS. In September '62, APIDC wrote to the Government of India about the allocation of the Yen credit for the project to an extent of Rs. 2 crores. In November '62, M wrote to APIDC enquiring

whether the Calcutta group was still interested or not and whether they could negotiate with them further in the matter. They were informed that negotiations might be continued with APIDC alone.

In January 1963, a new MD (GVR) took charge of the Corporation (APIDC). GVR had worked for a time at the Ministry of Steel (Government of India) and was functioning as the MD of the Mining Corporation at Hyderabad. He had also undergone a Business Management Programme at Harvard for a year. He was able to bring a fresh orientation to the Corporation because of the varied background in his official career.

GVR began to push the project ahead rapidly. He finalised with M at Delhi the scope of discussion to be held in Japan by the representatives of APIDC and it was tentatively suggested that they might make the trip in April, 1963. In February '63 the terms of association with the KR group were also finalised. It was agreed that APIDC and the private party would jointly have a controlling interest in the company (51.1 per cent), and that any shortfall in the public issue would be subscribed to in the same proportion by them. They would each have an equal representation on the Board and the Chairman would be nominated by APIDC while RK (a partner in the KR concern) himself would be the MD. In March 1963, the Government of A. P. approved the visit of the MD of APIDC to Japan to finalise the matters. GVR went to Japan in April 63 and a provisional agreement with Marubeni—Koyo Seiko was concluded on the basis of the discussions held by him.

At a meeting of the Board of APIDC in July '63, the provisional agreement was ratified ; one of the important features of this agreement was the willingness of the Japanese group to participate in the equity capital of the new company to an extent of 12 per cent. This was an important gain since the Japanese collaborators had so far expressed unwillingness to take part in the share capital of the company. Meanwhile, the Calcutta group (KR) began to lose interest in the project

while DT (who at that time was a rising figure in the industrial scene, particularly in shipping for which he had been provided with considerable assistance by the Government of India) expressed some interest to take up the project either directly or through a sister concern. It was at this stage that JDL, one of the directors of APIDC, wrote a letter on August 9, 1963 to MD, APIDC to defer a final decision on the offer made by DT, since he (JDL) himself was interested in coming into the project and was having further discussions with other industrial parties. JDL was primarily in the auto-selling business and held the franchise for a popular auto model. His industrial experience was limited but he had secured political support for obtaining the Indian collaboration for the project.

Meanwhile, the negotiation with the Japanese group continued in respect of a final agreement to be concluded with them. KS was anxious that the provisional agreement concluded by GVR (MD, APIDC) in Japan should be approved by the Government of India after which a final agreement could be reached between them and APIDC. In August 1963, MD, APIDC wrote to KS suggesting that they might come to India to discuss with the Government of India the terms of the final agreement. In September 1963, the Board of APIDC agreed to the formation of a new company, if it provided for equity participation by the Japanese. It also agreed that any other Indian party might be associated on terms similar to those finalised with the KR group. In September, APIDC requested NIDC to assist them in the discussions with the Japanese delegation.[3] Based on the discussions held by the KS delegation in India with APIDC and the Government of India, a final agreement was signed between APIDC and KS on October 14, 1963, and in December 1963, the Government of India approved this agreement. This represented the end of the first phase of

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[3]NIDC is a state-owned public sector corporation set up by the Government of India to provide assistance to the textile and jute industry and also operates a consultancy bureau for undertaking consultancy assignments. NIDC had prepared the first feasibility study for the project which was originally thought of in the public sector. It was therefore considered useful to associate them with the project.

the project which took almost 3 years of discussion and negotiations.

Since the original group (KR) had lost interest in the execution of the project, other parties were sounded for collaboration by APIDC in implementing it. Mahindra-Ugine, an important industrial concern manufacturing alloy steels, expressed interest in the participation of the management of the company, but only with a token investment. APIDC declined this offer since it felt that only a party willing to invest substantially would have adequate interest to operate it successfully and would also relieve APIDC of finding large sums of money to meet the cost. Another organisation known as Andhra Steel Corporation also showed some interest in the participation of the project but this was not pursued further. Discussions were also held with other parties such as Bangur Brothers, Hyderabad Allwyn Metal Works but there was no agreement on the terms of collaboration.

Meanwhile, a delegation from KS visited the country in February 1964, and went round various plants in India. They also discussed with APIDC and NIDC in March 1964, the possibility of revising the list of machinery. A letter to the Government of India was also written by the Deputy Chairman of APIDC for inclusion of this project in the Third Yen Credit Programme. The deputy Chairman (VKR) was a Senior Civil Servant, who was also functioning at that time as Secretary of the Industries Ministry of the State Government. The Government of India replied that since the Third Yen Credit was completely utilised, it would not be possible to do so and efforts would be made to include it in the Fourth Yen Credit that was expected to be extended shortly. In June 1964, M from Tokyo cabled APIDC to press the Government of India for inclusion of the project in the Fourth Yen Credit.

In October 1963, a local automobile dealer (GCJ) expressed interest in the project along with the Nizam, in token of which the Financial Adviser to the Nizam (CBT) wrote a letter to APIDC expressing his willingness to back GCJ upto 30 per cent of the equity in the proposed company. In January

1964, the Board of APIDC made an offer to GCJ which was accepted by him but there was some hesitation whether APIDC could enter into an agreement backed by CBT, since the State Government had serious differences with him in the management of other projects which were set up by the former Nizam's Government. In April, the Chairman of APIDC wrote to the Chief Minister enquiring whether the State Government had any objection to the proposed association of CBT with the project and after repeated reminders, the State Government replied on July 13 that they had no objection, provided the terms of participation were sound and favourable. The Board (of APIDC) at a meeting on July 14, 1964 authorised its MD to enter into a formal promotional agreement with GCJ and his associates.

In pursuance of this decision, an agreement was signed with GCJ on July 23, 1964, whereby both APIDC and the associates of GCJ were to invest Rs. 40 lakhs each in the project and the rest of the amount was to be financed through public subscription. A nominee of APIDC was to be the Chairman and a nominee of the GCJ group was to be the Managing Director. Apart from the formation of a separate company, no mention was made in the agreement as to the further steps to be taken for implementing the agreement. It was understood at that time that GCJ had the backing of the Nizam's Trust who agreed to invest the bulk of the money to be put up by the GCJ group. Out of Rs. 40 lakhs which GCJ had agreed to invest in the project, Rs. 30 lakhs were to come from the Nizam's Trust and as a token of their willingness to do so, they deposited Rs. 15 lakhs with APIDC to be converted into the share capital, as and when it was necessary.

The question of formation of a separate company was then taken up and several names were suggested such as Andhra Precision Bearings, Andhra Bearings, India Bearings and Indo-Nippon Precision Bearings. (The last name was finally chosen although some felt it was too long and the Japanese themselves were not too keen on "Nippon" figuring in the name.) A company under that name was registered at Hyderabad on

October 21, 1964 and the license for the project was transferred to the new group. Soon afterwards, GCJ transferred all his rights and interests in the project (with the concurrence of APIDC) to JDL, who had earlier expressed his interest and had resigned his directorship of the Corporation to enable him to take up the project. It was in fact known all along that GCJ was acting merely as a substitute for JDL who had the backing of some influential political personages on the strength of being a local entrepreneur although his experience in the industrial field was limited. JDL took over as MD of the company in October 1964 and an initial amount of Rs. 9 lakhs was subscribed jointly by APIDC and the JDL group.

Things moved slowly in 1965 with the new company settling down in respect of various items for the implementation of the project. Machinery lists were revised in consultation with the collaborators. In July 1965, the Government of India suggested that in view of the likely gap of 12-13 million by 1970 in bearings production in the country, APIDC might consider expansion of the project upto 10 million bearings, and that a feasibility report might be prepared. Accordingly, NIDC was entrusted with the preparation of a feasibility report and in September 1965, MD (GVR) visited Japan for discussions with the Japanese group in respect of the expansion programme.

An application was made to the central financing institutions in November 1965 for underwriting the equity and providing loan to the project. It was expected that the project would be approved quickly and that the financing institutions would agree to participate in the project, both in the share capital as well as in the loan amount. This optimism was partly based on the fact that the Government of India had informed APIDC in August 1964 of the inclusion of the project in the Fourth Yen Credit programme. It was, therefore, presumed that since the Government of India had approved the project both by issue of a Letter of Intent as well as its inclusion in the Yen Credit, there should not be any objection for its support by Government—sponsored financial institutions.

The first indication that the financing institutions might not look favourably on the project came early in 1966, when the Managing Director of INPB (JDL) held preliminary discussions with them. The devaluation of the Indian rupee occurred in June 1966 raising the project cost from Rs. 4.6 crores to Rs. 5.75 crores. Noticing the reluctance of the financing institutions to assist the project, JDL sought the intervention of the Chief Minister of the State but this did not help matters. Meanwhile, a new Managing Director (RKV) had taken charge of the Corporation in April 1966. RKV was a technocrat with a professional background in engineering and experience with both government and private sector industries. Deputed to Japan for a Productivity Study Programme, he took advantage of his stay in Japan to conduct further discussions with the Japanese collaborators regarding the implementation of the project. The project cost was then pruned from Rs. 5.75 crores to Rs. 4.85 crores, making deletions of machinery, not immediately required and also by reducing the expenditure on civil works. The discussions revealed that the collaborators were getting somewhat apprehensive whether the project would go through at all, since more than 5 years had elapsed after the original discussions on the project. They were also anxious since rival Japanese groups who had tied up with other Indian parties seemed to be making speedier progress.

The Board of APIDC who received a detailed report from RKV on his discussions in Japan, appointed a Sub-Committee in August 1966 to handle the affairs of INPB, since it was realised that quick decisions might have to be taken in respect of the project. The financing institutions had broadly three main objections to the project :

(*i*) The product-mix of the proposed plant should eliminate small-sized bearings for which there was adequate capacity in the country.

(*ii*) The technical and managerial talent proposed for the project was not adequate, since JDL had no industrial experience; and

(*iii*) Consequent on the devaluation, the financing institutions' own resources were somewhat inadequate to finance the project.

RKV felt that some vigorous efforts should be made to secure support from the institutions and suggested to the Sub-Committee that the Deputy Chairman of the Corporation (VKR) might visit Delhi along with himself and JDL. The Sub-Committee approved this proposal and it was also decided that representatives of KS and M might be present at these discussions so that the Chairman, IFC[4] could be convinced of the technical soundness of the project. The Chairman of the IFC was generally regarded as a key figure in the central financing institutions, and his views carried great weight with all of them.

The meeting took place on September 14, 1966 and a team from Japan also came to participate in these discussions. The Japanese team was a high-powered one and included the Technical Manager of the project. The Chairman, IFC, while conceding that the project was intrinsically sound had reservations on the marketability of the product-mix and also on the managerial capacity of JDL. The team also met the representatives of IDBI[5] and ICICI[6] at Bombay, who substantially repeated these objections. In view of this development, RKV felt that to avoid loss of further valuable time, the State Government might themselves be requested to provide a guarantee for opening a Letter of Credit for the import of machinery and that JDL might be advised to withdraw from the project so that a suitable entrepreneur could be found. This was a drastic step but RKV felt that unless some such measures were taken, the project might be 'killed' which would have been a pity, considering its intrinsic soundness.

The State Government were, however, reluctant to provide such a guarantee and instead, suggested that a suitable party

[4]Industrial Finance Corporation of India
[5]Industrial Development Bank of India
[6]Industrial Credit and Investment Corporation of India.

might be found to take up the project. In view of the State Government's attitude, discussions were held with a number of important parties all over the country. While some expressed interest, none of them was willing to commit themselves to the project in view of the difficult capital market conditions and they felt it would be difficult for them to find adequate resources. The attitude of JDL was also non-cooperative since he was unwilling to withdraw from the project and began playing for time so as to strengthen his bargaining position with a new party. RKV tried a new avenue and successfully persuaded a leading commercial bank (whose MD he had known personally for years) to provide a guarantee for opening the Letter of Credit, but the Bank stipulated that JDL should withdraw from the project before the guarantee could be made effective. At this stage, it became apparent to RKV that unless effective control of the project was taken over by APIDC, no progress would be possible. The matter was referred to the Board of APIDC in November 1966, and it concurred with RKV that the only solution was that the management of the company should be taken over immediately by APIDC. The Board also appointed a Sub-Committee including RKV to negotiate with JDL and make him relinquish his control over the project since it was felt that it might be difficult to remove him legally from the Directorship of the project. Further, since bearings was an item in the banned list for further licensing, it would not be possible to obtain a fresh license from the Government of India for the manufacture of the product.

A meeting of the Sub-Committee was held on November 17, 1966 with JDL who gave an account of the efforts he had been making to persuade other private parties to collaborate with him in the project. It was explained to him that there was necessarily a conflict of interest between him and any new private party that might come into the project, and that it would therefore be difficult to expect any settlement on that basis. He was told that APIDC might be willing to take over the project completely on a payment of Rs. 4 lakhs for the shares held by his group and that, in return, he should voluntarily withdraw from the project. JDL wanted time for consi-

dering the offer in consultation with CBT, Financial Adviser to the Nizam. A second meeting was held with him on November 22, at which time the attitude of JDL had become stiffer on the basis of his discussion with CBT. At this stage, some differences of opinion had developed between JDL and his principal backer, CBT, who was keen to pull out of the project, irrespective of any losses so far incurred, while JDL expected full reimbursement of the amount he had put into the project which he estimated at Rs. 4.5 lakhs. He still appeared confident of persuading an influential group in the country to collaborate with him and wanted more time for this purpose. The Sub-Committee, however, felt that a definite date should be fixed for his decision but JDL was not willing to commit himself. A third meeting of the Sub-Committee was held on December 3, 1966 to consider the attitude of JDL in the matter. It was felt that in view of the unhelpful attitude of JDL, APIDC should make a categorical offer to him, mentioning the following alternatives.

(*i*) Either he should buy up the shares held by APIDC ; or

(*ii*) allow the Corporation to buy his shares for the amount already specified ; or

(*iii*) dissolve the company altogether, and wind up the project.

It was felt that there might be legal difficulties in removing JDL and practical difficulties in floating a new company for implementing the project.

The Board of APIDC met on December 15, 1966 and approved broadly the proposal of the Sub-Committee. RKV suggested that the above alternatives might be offered to JDL and he might be given time till December 31, 1966 to make known his views after which date, APIDC would be free to pursue any course which it considered fit. Meanwhile, a revised sales and purchase contract was signed in December 1966 with M and KS, specifying a new dead line (March 31,

1967) for opening of the Letter of Credit, beyond which date the Japanese group did not commit themselves to keeping the prices at the same level.

On December 30, 1966 JDL wrote a letter to RKV which was ambiguous in nature. He still expressed confidence in bringing in new parties but was not willing to commit himself about the acceptance of the offer made by APIDC. On receipt of this letter, the Sub-Committee met on January 6, 1967 and suggested that preliminary steps might be taken to wind up the company and an early meeting of the Board might be convened to take a final decision. The meeting of the Board was held on January 31, 1967 when RKV placed for consideration a note on the status of the project and the possibility of its detailed implementation by APIDC in the public sector. It was pointed out by RKV that APIDC had really four alternatives in respect of the project.

(*i*) They could either allow the *status quo* to continue ;

(*ii*) Or wind up the project, sharing the losses between the two contracting parties ;

(*iii*) Or open a Letter of Credit and seek association of other suitable parties ;

(*iv*) Or operate the project purely as a Public Sector undertaking.

It was pointed out by him that the first course was not advisable since much valuable time was being lost which would make it difficult for the project to be implemented. The second course was the easiest, but it was likely to damage the prestige of APIDC and the State Government. Both the third and fourth courses were somewhat similar and presumed that APIDC would take the initiative to go ahead with the project so that it might be operated in the public sector or in collaboration with a private party. It was suggested that assuming a reasonable allotment to APIDC in the Fourth Plan, it should be possible to finance the project, even assuming that other projects of APIDC, such as the Republic Forge Co., and the Glass

Project may have to be completely financed by APIDC which, in fact, was not likely, since at least one of them would be able to secure assistance from other parties. RKV's task to convince the Board became more difficult since the Chairman of the Board of APIDC[7] (AVBR) took a negative attitude and did not react favourably to the proposal. The Board of APIDC however, supported the Managing Director but decided to take the approval of the State Government for operating the project in the public sector. It was also suggested that a lawyer's notice might be given to JDL so that he might be persuaded to withdraw from the project, leaving APIDC solely in the picture. This decision (even if it was halting) represented a major triumph for RKV who had been consistently arguing that APIDC should take up the project boldly.

Meanwhile, time was running out and the Japanese collaborators were becoming restless ; KS pointed out that the prices of machinery in Japan were rising and it would be difficult to peg them at the same level. Meanwhile, JDL had discussions with the Chairman, IFC in January 1967 and also explored the possibility of a merger with another Ball Bearing Company at Delhi. He also met the other financing institutions and seemed hopeful of securing their support. To give him a last chance, RKV took the initiative to sponsor discussions with IDBI and IFC and requested KS to send a team of two representatives to India for participating in the discussions. On March 23, 1967 discussions were held at Bombay at which the representatives of KS were present. Apart from the apprehensions previously expressed, the Chairman, IFC (who had meanwhile moved over as Deputy Governor of Reserve Bank) felt that the safeguards in the agreement regarding quality of products were not adequate. He also suggested that in the proposed product-mix, ball bearings could be dropped so as to eliminate any excess capacity in that line. The representatives of KS later met the Board of APIDC in

[7]AVBR was a senior member of the Assembly and also had some industrial interests. His reluctance to back the project was perhaps conditioned by his active interest in another project of APIDC.

April, 1967. It was suggested to the Japanese team that the project be cut down to Rs. 2 crores in which case it might be possible for APIDC to implement it in the public sector. It was also suggested that some export guarantees might be provided so that any difficulty in marketing the product within India might be met.

In regard to this last suggestion, KS declined to give any export guarantees but offered them full cooperation in the project. A revised project proposal was made by KS, reducing the cost to Rs. 4 crores which was, however, still beyond the resources of APIDC. In May 1967, the Board of APIDC noted that the discussions were dragging on with the financing institutions and decided that RKV should pursue them vigorously so as to determine whether there was any prospects of the financing institutions accepting the project. Thus the best attempts of JDL to secure the assistance of the financial institutions yielded no result.

RKV thereupon reduced the project cost still further to Rs. 3.6 crores and submitted the revised proposal to IDBI with a strong covering letter from the Deputy Chairman, APIDC (VKR). In return, IFC wrote to APIDC on July 8, 1967 specifically asking whether the contribution of JDL and his group of Rs. 40 lakhs would still be forthcoming. This was a pertinent question since after the death of the Nizam in February 1967, there was a complete change in the attitude of the Nizam's group towards the project. CBT, who was acting as Financial Adviser to the previous Nizam did not continue in the same role in respect of the new Nizam ; further, in view of the cut in the privy purse and the considerable estate duty payable, the new Nizam was anxious to conserve his resources. There was therefore insistent demand by CBT that the deposit of Rs. 15 lakhs made with APIDC should be returned and that they should be left out of the project. In view of this attitude of CBT and the letter from IFC, RKV asked JDL to produce a specific consent letter from the Nizam's group, indicating their willingness to participate in the project to the extent of Rs. 40 lakhs as was originally envisaged in the agreement o

1963. JDL had no more manoueverability left and realised that a final decision had to be taken. He thereupon reluctantly indicated his willingness to withdraw from the project on the conditions offered by APIDC nine months back and which he was unwilling at that time to accept. On July 26, 1967, the Board of APIDC suggested that the day-do-day management of INPB be taken over by RKV. On August 22, 1967, the Board of INPB agreed to coopt RKV on their Board as Director-in-charge. It thus took RKV nearly a year to gain control of the company due to the stalling tactics employed by JDL. The Board of APIDC also decided to approach the State Government for permission to operate the Ball Bearings Project in the public sector. In pursuance of this directive, the State Government was addressed on August 23, 1967, seeking their approval for taking over the project in the public sector.

RKV who took over as MD of the project immediately ordered a drastic cut in the various items of expenditure. The accommodation maintained by the company at high cost was surrendered and the entire staff was disbanded, except for one technical manager. It was also decided to re-locate the project adjacent to another project (RFC)[8] so that both could be run as an integral engineering complex since RFC also had, by this time, been converted into a Public Sector Project. Negotiations were also conducted with the Japanese collaborators to obtain their concurrence to the revised project entailing a cost of Rs. 3.5 crores.

The final approval of the State Cabinet was accorded on October 23, 1967 and was communicated to APIDC on November 3, 1967. The approval was preceded by intense activity on the part of RKV to convince influential Ministers in the Cabinet on the need to implement the project which was at an advanced stage and which could contribute significantly to the development of the engineering industry in the State. In the

[8]Subject matter of another Case Study "Forging a Project."

State Cabinet, the Chief Minister was undoubtedly the dominant figure; while he was sympathetic to it, he was somewhat apprehensive about the resources for the project and the marketability of the products. The support of the Deputy Chairman of APIDC in whom the CM had great trust had already been secured by RKV. He also enlisted the support of the Minister for Industry who was naturally keen on a prestigious new industry being taken up. He also met VBR, another influential Minister, and explained to him the salient features of the project. At the Cabinet meeting, therefore, there was solid support by two important Ministers which went a long way in making the final approval possible. It was pointed out by RKV that with RFC and the Bearings Project together, there was the possibility of additional projects such as the manufacture of small car or tractors being located in the State. In view of the fact that the Japanese collaborators had a world-wide reputation, it was considered unwise at this stage to drop the project, particularly since the necessary finances could be raised for it. The financial position of APIDC had also improved considerably since the Government of India had given an assistance of Rs. 2.5 crores to it for setting up a Forge Plant, which, in turn, would release about Rs. 70 lakhs invested in the project. A further amount of Rs. 40 lakhs deposited in connection with another project was got released by RKV by obtaining a guarantee from the Bank. An amount of Rs. 1 crore was thus available for immediate investment in the Bearings Project and another crore could be raised on the assets of the company themselves. The State Government therefore approved the proposal of APIDC to take over the project and operate it in the public sector.

There were, however, still a number of problems to be settled with the Japanese collaborators. There was the question of the price of the machinery which had escalated in view of the considerable time delay that had lapsed since the agreement in 1963. The question of the financial participation of the Japanese group was also to be discussed. It was therefore

considered necessary that RKV should visit Japan for a discussion with the Japanese group directly.

During the visit to Japan in December 1967, RKV discussed a number of points regarding the project, particularly the Capital participation. It was agreed to be fixed at Rs. 30 lakhs and there was also a reduction of nearly 30 per cent in the technical know-how and project report fee, involving a saving of more than Rs. 6 lakhs. The collaborators also agreed that export markets would be found in Egypt, Yugoslavia and Iran for the products of INPB with Koyo marking, in addition to Nepal, Pakistan and Ceylon. There was also a general agreement on how the project was to be phased. The visit was fruitful and facilitated to a great extent the rapid implementation of the project. The President of KS wrote a letter to the Chief Minister of Andhra Pradesh, indicating his full support to the project and his assurance that the proposed plant would conform to the highest standards for which Koyo bearings were famous.

The Memorandum of Understanding reached in Japan between RKV (MD, APIDC) and President, KS were approved by both the Boards of APIDC and INPB. A revised project scheme was also submitted to the Government of India for their approval along with the revised list of machinery to be imported from Japan. These had been drastically cut down by the Government of India to enable indigenous machinery to be purchased, since capacity within the country had meanwhile been built up for the manufacture of such machines. This involved a reduction in the foreign exchange utilisation from Rs. 2 crores to Rs. 1.2 crores. While the Development Wing in the Ministry of Industry was anxious that indigenous machinery should be used as far as possible, the Ministry of Finance was not too happy about the non-utilisation of the Yen Credit—a revealing commentary on the mutually contradictory attitudes sometimes adopted by Government Departments. A revised Sale and Purchase contract was signed on March 29,

1968 with M and KS and submitted to the Government of India for their approval.

Meanwhile, a new Chief Secretary had taken over and he held strong views about taking up projects in the public sector. He was not convinced that Government should take over the project and wanted to keep this consideration still open. There was also a proposal by the State Government to cut down the allotment of APIDC for the year 1968-69 due to an additional expenditure of Rs. 1 crore for enhanced compensation of land acquired by the Industries Department. Whatever the reason, this would have jeopardised the implementation of the Bearings Project for which an allotment of Rs. 60 lakhs had been made in the year 1968-69. The matter was discussed and reconsidered by the Cabinet and once again, RKV had to plead for the project with which his name had become firmly associated. The fact that the Chief Secretary did not view the project favourably made it more difficult and made his task more embarrassing. The Cabinet, however, reiterated their earlier decision to proceed with the project.

The Government of India forwarded the papers to the Japanese Government on April 22, 1968 and meanwhile sought the clarification of the State Government regarding its ability to finance the project. They wanted a specific assurance from the State Government that they would be prepared to go ahead with the project. The State Government was persuaded to provide a categorical assurance in this regard in April 1968 and it was repeated in May 1968. The approval of the Japanese Government took some time since they seemed anxious to avoid making a commitment for investment. Considerable pressure was put on RKV to open the Letter of Credit without any assurance of equity participation. RKV was, however, firm that the agreement to do so should be honoured by the Japanese group. The approval was finally given in September and the Letter of Credit was opened in the last week of September 1968. The ground-breaking ceremony for the pro-

ject was held in December 1968. RKV resigned as MD of INPB in November 1968, consequent on his transfer to Delhi.

It is seen from this recital that the project, started in 1960 had to undergo many vicissitudes of fortune. Many a time it seemed as if the project would have to be abandoned, but due to the persistent efforts of RKV, backed by the key members of the Board, particularly VKR (Deputy Chairman), it was possible to obtain a final favourable Government decision regarding the operation of the project in the public sector. Some private sector groups operating similar projects were keen that this project should not materialise and exerted considerable pressure both at political and official levels to see that the project was not implemented. It required constant effort on the part of RKV to convince his Board and also the State Government that the project was intrinsically worth while and that it would be in the interests of both the Corporation and the State Government to go ahead with the project and but for the persistence of RKV, it is doubtful whether the project would have ever seen the light of the day. This is an instance of the sense of 'commitment' which is yet to be developed in the public sector, if it is to compete with the private sector. Whereas, in the latter, there are ample monetary incentives, those in the public sector are purely psychological, and therefore managers in the public sector must have a much greater sense of dedication than those in the private sector. It is, however, significant that, where such a spirit of involvement is present, there is no reason why the performance in the public sector should not compare favourably with that in the private sector.

It is also obvious from this case study that the concept of bureaucratic neutrality—so dear to the pre-independent Civil Service—is clearly outdated, at least in public sector operations. Unless one feels strongly committed to the project, one cannot achieve any significant or worth while results. But personnel placement policies do not always provide for or even look

kindly on such involvement. An officer is liable to be transferred for no other reason except that he has stayed at a post for a certain number of years, which is certainly contrary to the desired practice of letting a man grow in a job. RKV himself was shifted after barely 2 years and without giving him the satisfaction of completing the project.[9] Civil service personnel policies must therefore take into account the requirements of the new roles which officials have to take on and some of the earlier concepts and policies which were suited to the conditions, obtaining half a century ago ought to be discarded.

[9]It was believed by some that the transfer itself was due to the fact that such commitment to a project by a Civil Servant was not generally favoured by his official superiors.

The Project went into production in July, 1970 and was formally inaugurated by the President of India on August 24, 1970. Its products have earned a good reputation in the market and schemes for its expansion are being actively considered.